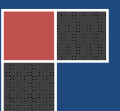


Medium Term Fiscal Framework 2011-12 to 2014-15



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CHAPTER 1

INTRODUCTION

The rolling Medium Term Fiscal Framework (MTFF) is being revised this year in response to a number of developments that have occurred during the course of 2009-10 and 2010-11. These developments are likely to have major consequences which will alter finances of the Government of Punjab. The first is that the revenue outlook of the province will improve somewhat because of the 7th National Finance Commission (NFC) award, which came into force on 1st July 2010. It enhanced the share of the provinces in the federal divisible pool from 46.75 percent to 56 percent in the first year and 2011-12 onwards the share will further increase to 57 ½ percent for the remaining years of the award. The flexibility shown by Punjab in the successful announcement to the award is widely recognized.

The other major event, which reinforces the process of strengthening provincial autonomy, is the passage and signing into law on 9th April 2010 of the 18th Amendment to the Constitution by the President of Pakistan. With this Amendment the Concurrent List of the Constitution stands abolished, devolving the functions contained in this list to the provincial governments. This significantly enhances the range of functional responsibilities of provincial governments and constitutes an important step in bringing the government closer to the people. The 18th Amendment has since been implemented in a phased manner by July 1, 2011 and functions performed by 15 Divisions/ Ministries of the Federal Government have been transferred to the provincial governments. While the above two developments constitute opportunities for the provincial government to improve the quality of life of its residents, an important prerequisite for this would be to improve the province's financial and institutional capacity to respond effectively to the enhanced responsibilities.

Turning to some of the challenges confronting the provincial government, the growth prospects for the Province have also been altered qualitatively by the emergence of a large power shortage in the country, which has led to high levels of loadshedding and negatively impacted on production, especially in the industrial centers of the province. In addition, gas supplies have increasingly become limited. Overall, during the last few years the growth rate of the province has probably come down and it is possible that it is now no longer growing significantly faster than the rest of the country.

In addition, the high inflation in recent years has necessitated a big upward adjustment in basic salaries of 50 percent and enhancement in allowances of government employees in 2010-11, followed by a further increase in salaries of 15 percent and of pensions by 20 to 25 percent in 2011-12. The devastation caused by the floods in 2010 compounds the challenges already confronting the province. Important among these are the security conditions prevailing in the country which have enhanced the fiscal needs of Punjab in the form of higher security expenditure because of the high incidence of terrorist attacks especially in Lahore. Pakistan has had to pay a high price for the war on terror, which according to the Prime Minister stands cumulatively at about US \$ 43 billion. Priority to law and order will need to be sustained.

Overall, the above-mentioned developments have necessitated a significant revision in the Medium Term Fiscal Framework (MTFF), which is presented in this report for the years – 2011-12, 2012-13, 2013-14 and 2014-15.

Objectives and Purpose of MTFF 2011-15

The MTFF is an important policy document that lays down estimates of income and expenditure of the Government in medium term. In other words MTFF is an advance statement of Government policies and priorities. Dissemination of these priorities enhances predictability of resource commitment to different sectors, thus promoting greater confidence, continuity and sustainability in economic and social policies and interventions by the Government. As alluded to in the previous MTFF, the Government of Punjab intends to achieve the following objectives by presenting the medium term fiscal outlook:

- i. Align policies and funding in a sustainable manner over the medium term
- ii. Strengthen fiscal discipline
- iii. Provide resources for development priorities

In the current fiscal scenario the provincial government is trying to focus on the objective of improved allocation of revenues for maximum benefit to the people. As such, the provincial MTFF gives realistic expenditure ceilings of all provincial departments with respect to their operational and development priorities for the next three years.

Like other provincial governments, Punjab Government relies heavily on federal transfers to meet its fiscal needs. In the recent past there has been significant shortfall between federal revenue projections and actual collections. This shortfall, alongwith some gap in provincial revenue collection, has resulted in a mismatch between income and

expenditure of the Government. Consequently the Government has had to resort to borrowings. It is expected that implementation of MTFF, through proper revenue forecasting would enable revenue collection agencies the opportunity to reform so as to achieve the assigned targets and thereby provide sufficient resources for development.

The MTFF will also minimize the need for re-appropriations and requests for supplementary funds during a financial year because of unrealistic and unsustainable budgetary estimates. It will also enable proper prioritization of expenditures with respect to outcomes for the benefit of the people of Punjab.

The MTFF is being prepared at the beginning of the budget making cycle for the next financial year. This will allow sufficient time to Heads of Departments and Principal Accounting Officers to be aware of their resource envelope and rank their programs and priorities within that resource envelope to achieve sustainable financing for them during the next three years. In order to integrate departments into medium term budgeting, it is proposed that the normal budgetary call circular letter will request a three year forecast of expenditures according to functions and objects, alongwith a ranking of departmental priorities in the medium term and how these are to be addressed within the expenditure ceilings available. This will introduce a medium term perspective in the planning process.

However, medium term planning and budgeting is evolving in the Province. Given the size and diversity of the departments of the Punjab government, it will take some time before a Medium Term Budgetary Framework (MTBF) is fully instituted in all departments and is used as a budgetary and performance management tool. The government has initiated the exercise of preparing detailed MTBFs in two pilot departments, Irrigation and Health, a couple of years ago. The exercise has since been extended to five more departments i.e. Livestock and Dairy Development, Excise and Taxation, Higher Education, Communication and Works Department and Public Health Engineering Department. This implies that a major part of public expenditure will be covered by the MTBF.

The MTBF will enable these departments to engage in both top down and bottom up approaches to expenditures allocations. These departments will be able to identify activities that are sustainable, rank development priorities and to relate outcomes, outputs and costs. Budgeting and management controls would be more feasible in these departments. Besides, forward estimates of the cost of existing policies/ programs and activities over the medium term will provide a predictable link between policy and funding.

The first MTFF was presented in FY2009-10 for three years upto 2011-12. This year's MTFF covers a four year period to make it consistent with the MTBF timeframe for the departments for which these have been prepared. Revision of this document, as discussed earlier, has become necessary due to important developments. These include interalia expansion in federal transfers following the 7th NFC Award; major changes in service delivery mandate of provincial governments as a result of the 18th Constitutional Amendment and some worsening in the economic prospects for the province. As such, significant changes have to be made in estimates of current and development expenditure for the next few years.

CHAPTER 2

DEVELOPMENT POTENTIAL OF PUNJAB

Sources of Growth

The economy of Punjab has shown exceptional dynamism during the earlier part of last decade with an average annual growth rate in excess of seven percent, as shown in Table 2.1. Consequently, it had emerged as the fastest growing province in the country with the growth rate exceeding the national growth rate on average by approximately one percentage point.

The agricultural sector of the province has generated large surpluses which contribute to feeding the population in the rest of the country. In 2009-10, for example, Punjab achieved a high production level of wheat of over 18 million tons of wheat. The resulting availability of stocks will act as source of food security.

TABLE 2.1 SECTORAL GROWTH RATES IN PUNJAB* AND PAKISTAN, 2000-01 TO 2006-07 Annual Average Growth Rate (%)		
	Punjab	Pakistan
Agriculture	5.0	4.6
Industry	8.7	8.9
Services	8.4	6.7
Gross Domestic product	7.7	6.8
Sources: Punjab Economic Report		

Both the industrial and services sectors of the province achieved average growth rates over eight percent during the high-growth period. Industries like chemicals, fertilizer, electrical goods, cigarettes, beverages, etc. increased significantly their share in national production. Within services, sectors which experienced rapid growth are telecommunications, banking and insurance, community and social services.

But in recent years, some major industries of Punjab have suffered a loss of momentum. As shown in Table 2.2, production in the textile sector has shown negative growth. Consequently, the share in national production has fallen sharply, from 38 percent to 29 percent in the case of cotton yarn and from 55 percent to 37 percent in cotton cloth. Similarly, the output of urea has fallen in the last few years. The major industries which have increased significantly their share in national production are sugar and cement. However, the sharp decline in the textile industry, which accounts for a relatively large share of industrial value in the province, implies that the manufacturing sector of Punjab may be growing more slowly than the rest of the country.

TABLE 2.2
COMPARISON OF GROWTH OF SELECTED INDUSTRIES IN PUNJAB AND PAKISTAN

	Pakistan	Punjab	Rest of Pakistan	Punjab (% Share)
Vegetable Ghee				
2000-01 to 2006-07	41.3	26.9	53.9	46.5 ^a
2006-07 to 2010-11	-8.8	7.5	-20.5	49.2 ^b
Sugar				
2000-01 to 2006-07	19.3	34.4	1.3	54.5 ^a
2006-07 to 2010-11	18.2	14.4	24.1	59.4 ^b
Cotton Yarn				
2000-01 to 2006-07	58.5	44.1	67.2	37.7 ^a
2006-07 to 2010-11	7.8	-7.4	15.7	29.5 ^b
Cotton Cloth				
2000-01 to 2006-07	106.6	57.4	165.8	54.6 ^a
2006-07 to 2010-11	0.7	-11.0	9.1	36.7 ^b
Urea				
2000-01 to 2006-07	18.8	47.0	-17.8	55.5 ^a
2006-07 to 2010-11	-13.1	-8.1	-24.3	73.0 ^b
Cement				
2000-01 to 2006-07	135.1	119.7	149.8	41.8 ^a
2006-07 to 2010-11	26.5	65.4	1.5	51.1 ^b
^a as of 2000-01				
^b as of 2010-11				
Source: Punjab Development Statistics State Bank of Pakistan				

As highlighted above, a major factor contributing to the slowing down of industrial growth in Punjab is the power shortage. While electricity consumption in the province grew rapidly in the period, 2001-02 to 2006-07, at over eight percent per annum, as shown in Table 2.3, the growth rate has plummeted to only 1.1 percent per annum, even lower than that for the rest of the country (See Figure 2.1). Similarly, as can be seen by Table 2.4 and Figure 2.2,

gas consumption in the province showed a lot of buoyancy earlier with an annual growth rate of 12 percent but since 2005-06 has shown little or no increase declined sharply in 2010-11. Consequently, the share of Punjab in national gas consumption has plummeted from almost 43 percent to 37 percent.

TABLE 2.3
TOTAL ELECTRICITY CONSUMPTION

(Gwh)

	Pakistan Total	Punjab Total	Percentage Share of Punjab
2001-02	50,622	30,565	60.4
2002-03	52,656	32,328	61.4
2003-04	57,491	35,374	61.5
2004-05	61,327	37,696	61.5
2005-06	67,603	42,018	62.2
2006-07	72,712	45,294	62.3
2007-08	73,400	45,040	61.4
2008-09	70,371	43,466	61.8
2009-10	74,348	45,906	61.7
2010-11	76,444 ^a	47,368	62.0
Annual Growth Rate (%)			
	Pakistan	Punjab	Rest of Pakistan
2001-02 to 2006-07	7.5	8.2	6.5
2006-07 to 2010-11	1.3	1.1	1.5

Source: Punjab Development Statistics

Pakistan Economic Survey

^a based on growth rate during July to April

FIGURE 2.1
ELECTRICITY CONSUMPTION

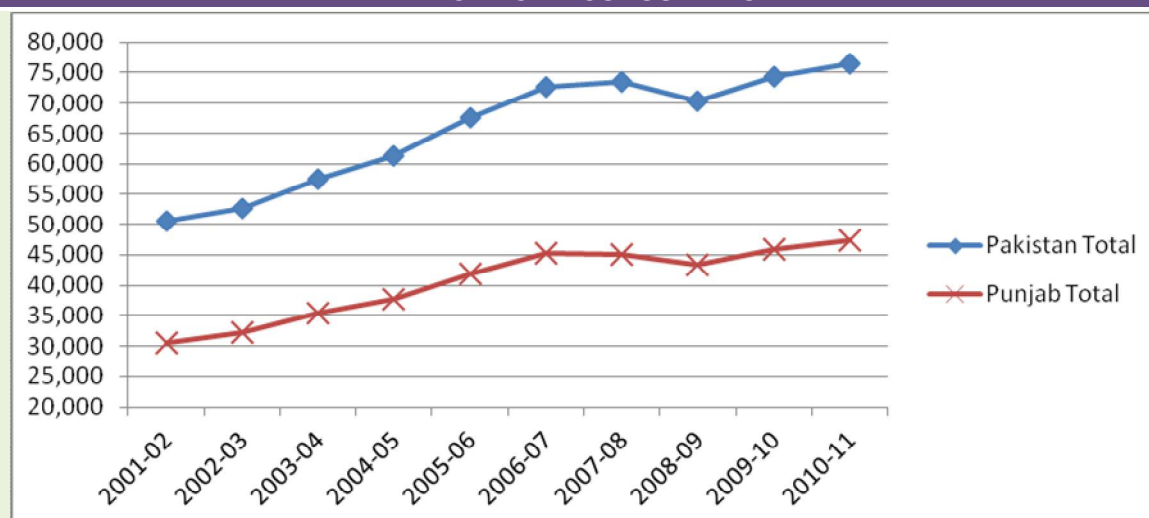


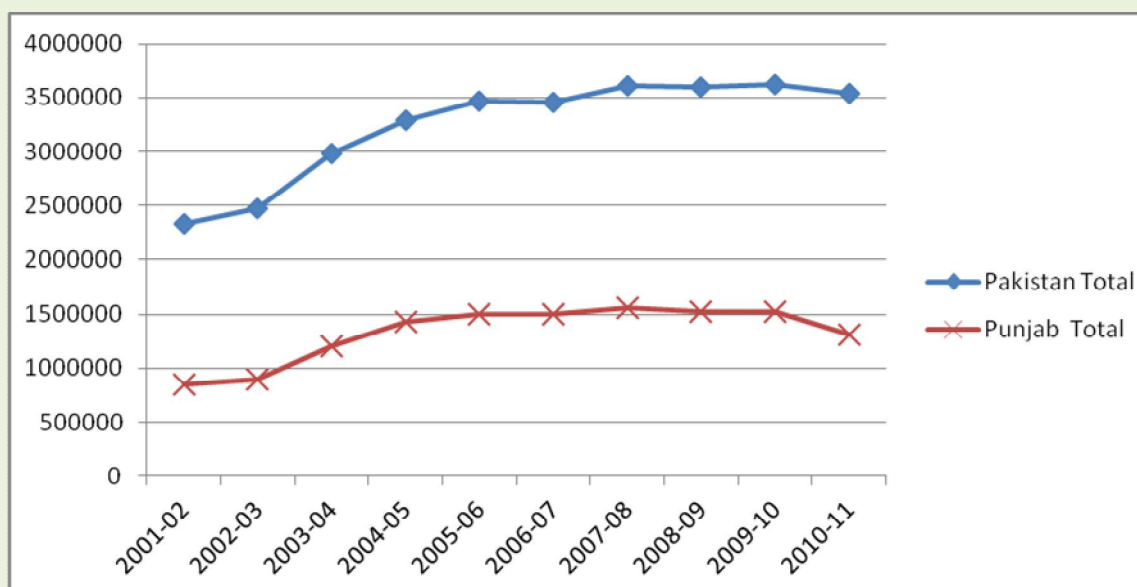
TABLE 2.4
TOTAL GAS CONSUMPTION

(Thousand Deca Cubic Meters)

	Pakistan Total	Punjab Total	Percentage Share of Punjab
2001-02	2335018	844640	36.2
2002-03	2469977	896615	36.3
2003-04	2977284	1200148	40.3
2004-05	3287708	1427550	43.4
2005-06	3464241	1506825	43.5
2006-07	3460302	1505163	43.5
2007-08	3610998	1560922	43.2
2008-09	3594634	1522576	42.4
2009-10	3618386	1521674	42.1
2010-11	3545185	1311087	37.0
Annual Growth Rate (%)			
	Pakistan	Punjab	Rest of Pakistan
2001-02 to 2006-07	8.2	12.2	5.6
2006-07 to 2010-11	0.6	-3.4	3.4

Source: Punjab Development Statistics
Pakistan Economic Survey

FIGURE 2.2
GAS CONSUMPTION



Today, with per capita income of \$1200, Punjab has achieved lower middle income status. According to various studies, while the per capita Gross Regional Product (GRP) is still somewhat below the province of Sindh, it has the highest Human Development Index (HDI). As shown in Table 2.5, by 2005 the magnitude of the HDI for the province had reached 0.67. According to UNDP, this would imply that Punjab has attained a medium level of human development.

A number of factors historically have contributed to the strong economic performance by the province. The relatively strong agricultural base of the economy is supported by one of the most elaborate irrigation systems in the world which has enabled almost 87 percent of area sown to access canal withdrawals or tubewells. In addition, the farm-to-market road network compares favorably with that of countries like China and India.

TABLE 2.5 HUMAN DEVELOPMENT INDICES (HDI) BY PROVINCE ¹		
	HDI 1998	HDI 2005
Punjab	0.564	0.670
Sindh	0.512	0.628
K-PK	0.486	0.607
Balochistan	0.480	0.556
Source: UNDP		

The private investment in almost 900,000 diesel/ electric tubewells for exploitation of ground water resources has been considered a success story.

The population of the province is currently estimated at close to 95 million. It is projected to cross 100 million by 2015. There is a large emerging middle class in the province, with average household income in excess of \$ 300 per month. The evidence of growing rural purchasing power is indicated by the buoyancy in sales of consumer durables like cars, motorcycles, TVs, etc., following the upsurge in rural incomes due to the quantum jump in procurement/ support prices, especially of wheat. However, the precipitous increase in the fertilizer price and a sharp decline in cotton prices recently could restrict agricultural incomes.

Urban development in the province has proceeded in a relatively balanced manner. According to the population estimates from the 1998 Census, the city size distribution in Punjab adheres fairly closely to the Rank Size Rule. Along with the primate city of Lahore, there are four cities, namely, Faisalabad, Rawalpindi, Multan and Gujranwala, with

¹ Social Development in Pakistan, Devolution and Human Development in Pakistan, Annual Review 2006-07

populations in excess of 1.5 million. Beyond this, there are nine cities with population between 0.25 million and one million. Consequently, there is likely to be a wider dispersal of the population migrating from rural to urban areas in the province in search of productive employment opportunities. Also, these top 13 cities of Punjab have the potential of acting as future engines of growth as structural transformation takes place in the regional economy.

Industrial development in Punjab has been facilitated by the emergence of specialized clusters at different locations enjoying agglomeration economies and rapid diffusion of technology. Examples of such clusters include surgical instruments and sports goods in Sialkot, furniture in Gujrat, ceramics and sanitary ware in Gujranwala, light engineering in Faisalabad, electrical fittings in Sargodha and so on. These clusters are characterized by a concentration mostly of small and medium enterprises which have shown the capability to cater not only to domestic consumers but also to compete in international markets. Many of the small-scale entrepreneurs of today have the potential of emerging as industrial leaders of the future subject to the requisite institutional support and access to infrastructure.

Challenges

The demonstrated development potential of the province has been frustrated somewhat in recent years by the fall in the growth rate of the regional economy in the last three years. This has served to highlight the challenges that the province will need to confront in coming years if it is to get back to the trajectory of fast growth.

As highlighted earlier, perhaps the principal constraint in the short run is the energy shortage. While the province generates 39 percent of the electricity it accounts for 59 percent of the consumption. This is the largest gap among the four provinces. Consequently, the incidence of power outages is relatively high in Punjab. Growing electricity outages are disrupting economic and social life. According to a study by IPP², the cost of power loadshedding to the province, in terms of losses and higher costs of industrial production are as large as Rs 250 billion, equivalent to about 3 percent of the GRP as shown in the Box 2.1. Power shortage is worsening the unemployment situation and straining the balance of payments. It is estimated that over 330,000 people in the province have lost their jobs because of load shedding which has also led to export losses of about a billion dollars. More recently, gas shortages, especially in industry, have contributed further to production losses. According to the Lahore Chamber of Commerce and Industry, more than 1300 small to medium sized industrial units have been forced to shut down because of

² State of the Economy: Emerging from the Crises, Second Annual Report 2010

the energy crises. IPP estimates that the cost to the economy of gas shortfall could be as high as Rs 110 billion, bulk of which on the province of Punjab. Clearly these developments have aggravated the already rising problem of poverty in the country, including Punjab, and therefore need immediate policy attention.

BOX 2.1 COST OF INDUSTRIAL POWER OUTAGES TO PUNJAB, 2010	
Total cost of Industrial Loadshedding to the regional Economy	Rs 250 billion
Cost as percentage of GRP	3 Percent
Loss of Employment in the Province	330,000
Loss of Exports	\$ 1 billion

On the agricultural side, the province has the problem of a decline in the availability of water from the irrigation system. Canal withdrawals in kharif and rabi combined have fallen from 55.4 maf in 2007-08 to 50.7 maf in 2009-10. According to a study by the United Nations Pakistan is now a more water-limited nation than neighboring countries like India and China. It is estimated that by 2025 not more than 1000 cubic meter per capita per year will be available in Pakistan, making it a water scarce country. The water system is characterized by large losses due to lack of adequate operations and maintenance. On farm, partly because of low water pricing, there is wasteful and inefficient use of water and the cropping pattern remains water intensive. In the barani areas of the province, there is slow growth in agricultural production.

The province is also experiencing a rapid growth in its labor force of one million entrants annually or almost 3 percent per annum, as compared to the population growth rate of about 2 percent. This is the consequence of the so-called 'demographic dividend' which has implied a younger population and a decline in the dependency ratio. This is a blessing which could become a curse if the young entrants into the labor force are not absorbed quickly into productive work. According to the latest Labor Force Survey, the size of the labor force in Punjab is 32.8 million, out of which almost two million are unemployed, indicating an unemployment rate of 6 percent. Of particular concern is the relatively high unemployment rate among youth, aged between 10 to 24 years, of 9.4 percent. There are almost 800,000 male youth in the province who are without jobs. This has implications for the war on militancy and the law and order situation. Overall, with an employment elasticity of 0.4 the province will need to sustain a long term growth rate of over 7 percent if all entrants to the labor force are to be absorbed.

Also, while the province has attained medium level of average per capita income and human development, there are large and growing regional disparities among divisions/districts in the North and Central Punjab and those in the South of Punjab. Indicators of regional inequality at the divisional level are presented in Table 2.6.

The divisions of Central Punjab generally have high development rankings. Rawalpindi division in North Punjab has the lowest ranking in agriculture but it is well endowed in terms of presence of industry and access to social services and economic infrastructure. Consequently, it is the second most developed division of Punjab after Lahore. Divisions of South Punjab like Bahawalpur do well in agriculture and Dera Ghazi Khan in industry, but have relatively poor availability of services and emerge as the least developed part of the province. Regional inequality in the province will have to be tackled on a priority basis by larger public investments in social and physical infrastructure in the backward areas of the province.

TABLE 2.6 RANKING OF DIVISIONS OF PUNJAB IN DIFFERENT INDICATORS*/ SECTORS, 2009-10 Sectors							
Division	Agriculture	Industry	Education	Health	Economic Infrastructure	Wealth	Overall Ranking
South Punjab							
Multan	7	5	7	7	6	5	7
Bahawalpur	2	6	8	8	8	8	8
D. G. Khan	8	1	9	9	9	9	9
Central Punjab							
Lahore	6	2	3	2	2	1	1
Faisalabad	5	4	4	3	4	3	3
Gujranwala	4	9	2	4	1	4	4
Sargodha	3	7	5	5	7	6	6
Sahiwal	1	8	6	6	5	7	5
North Punjab							
Rawalpindi	9	3	1	1	3	2	2
Source: derived from data in the Punjab Development Statistics							
*Altogether 17 indicators							

According to the original PRSP document, the percentage of population below the poverty line in the late 90's was 31 percent, as compared to the national percentage of 30 percent.

By 2004-05 the incidence of poverty had fallen two to three percentage points below the national level. In particular, urban poverty is relatively high in Punjab, especially in the smaller towns and cities at the rural-urban interface which have a limited economic base. According to a study by SPDC³, the incidence of poverty in urban settlements of Punjab with population below 250,000 was 38 percent as compared to 28 percent for the province as a whole. During the last few years, the high rate of inflation, especially in food items, is likely to have taken the incidence of poverty back to the level prevailing a decade ago. Meeting the targets in the Millennium Development Goals, including that of poverty reduction by 2015, represents a real challenge for the province. This will require adoption of a strategy of inclusive growth with special emphasis on a strong social protection policy. A number of initiatives have been initiated for targeting benefits directly to the poor following the induction of a democratically elected government in 2008.

Infrastructure Financing Gap

The previous sections have highlighted that the critical constraint to short-term and medium-term growth of Punjab's economy is access to power and gas for industry and water for agriculture. Already, power loadshedding is costing the regional economy about Rs 250 billion annually. Given the projections of economic growth in the subsequent chapter on Macroeconomic Framework and the need for removing the existing deficit, it is estimated that the additional capacity of power generation required in Punjab by 2014-15 is over 3000 MW. This implies annual investment of about Rs.100 billion from 2011-12 to 2014-15.

The Government of Punjab is focusing on small hydel power projects. LOIs have been issued to ten private investors for a cumulative capacity of 142 MW at different locations of Punjab. In addition, renewable solar and wind energy projects will be developed. Following the recent decision by CCI, Punjab is in a position to more aggressively promote thermal generation, especially through projects based on input of coal. Department of Power has recently been created which can develop a power sector strategy to prioritize actions/initiatives.

The emphasis in the irrigation sector will be on removing the large operations and maintenance deficits that have led to sub-optimal delivery. According to the MTDF 2010-13 almost Rs 170 billion will be required from the provincial ADP to address deferred

³Haroon Jamal, 2007 'Income Poverty at District Level', SPDC Research Report No 70, Karachi

rehabilitation and maintenance backlogs. Further, investments will be needed for enhancing drainage, flood protection and hill torrent management.

Another important area for investment in infrastructure is urban development. Punjab has been experiencing rapid urbanization from about 17 percent in 1951 to almost 33 percent by 2009. There is need to invest in urban infrastructure like water supply and sanitation, urban transportation, etc, not only in the large metropolitan cities of the province but also in the smaller cities and towns which serve the rural hinterland.

In the transport sector, the growing volume of traffic has put tremendous pressure on the road infrastructure, both within and between cities. The number of vehicles has been increasing at double-digit rates, surpassing the capacity of the existing road network and leading to high levels of congestion.

Clearly the needs for infrastructure financing are high as Punjab embarks on a relatively capital-intensive stage of development in an effort to remove the constraints to growth that have now emerged following a period of relatively rapid growth. Fast growing countries like China typically invest 10-12 percent of the GDP on infrastructure. Sub-national investment on infrastructure by the states in India aggregates to about 3.5 percent of the GDP. Conservatively, the estimated investment in infrastructure for restoring the growth momentum in Punjab is estimated at 3 percent of the Gross Regional Product.

The estimated level of investment in infrastructure by the federal and provincial government combined in 2010-11 is 1.2 percent of the GRP as shown in Table 2.7. This leaves a gap of 1.8 percent of the GRP. The Medium Term Budgetary Statement of the Ministry of Finance projects a fairly rapid buildup in federal outlays in infrastructure in the next few years. Nevertheless, at present levels of investment by the Government of Punjab the investment gap will remain large at between 1.2 to 1.7 percent of the GRP. Clearly efforts will have to be made by the Government of Punjab to make larger allocations for projects, especially in the sectors of water and power, if the infrastructure deficit is not to widen over the next few years.

Therefore, efforts will have to be made to mobilize more resources to increase the size of the provincial ADP. In addition, there will be need to access the capital market especially for commercially viable projects and to provide the institutional, legal and regulatory framework for public-private partnerships in infrastructure development.

Looking at some 'out of the box' possibilities, the impact of a potential opening of regional trade on Punjab needs to be highlighted, following the granting of MFN status by Pakistan to India and reciprocal steps by India to remove non-tariff barriers and relaxation of visa requirements. Punjab could well emerge as the focal point for such trade in goods and also in tourism. Exports could increase from Punjab of agricultural products and in industrial items like textiles. Also, industries could benefit from the import of cheaper inputs while consumers of Punjab could enjoy benefits in the form of lower prices of goods like medicines, consumer durables, etc. Exploitation of the full possibilities of trade would, of course, require investments in improvements in transport and communications, marketing and storage facilities, etc, near the border.

TABLE 2.7
INFRASTRUCTURE FINANCING GAP IN PUNJAB

(Rs in Billion)

	2010-11	2011-12	2012-13	2013-14	2014-15
Federal Investment in Infrastructure					
Total PSDP	216	300 ^e	494 ^g	600 ^g	726 ^h
Share of Infrastructure (%)	50	60 ^f	62	64	66
Investment in Infrastructure	108	180	306	384	479
Share of Punjab ^b (%)	57.3	57.3	57.3	57.3	57.3
Investment in Infrastructure in Punjab	61.9	103.1	175.3	220.0	274.5
Punjab GRP ^c	10361.3	12213.5	14410.7	17036.0	20236.7
Federal Investment in Infrastructure as % Punjab's GRP	0.60	0.84	1.22	1.29	1.36
Provincial Investment in Infrastructure					
Total ADP	114				
Share of Infrastructure ^d (%)	41				
Investment in Infrastructure	46.7				
Provincial Investment in Infrastructure as % of Punjab's GRP	0.45				
Total Investment in Infrastructure as % of Punjab's GRP	1.15				
Infrastructure financing target as % of Punjab GRP	3.00				
Gap as % of Punjab's GRP	1.85	2.16	1.78	1.71	1.64
^a only the budgetary PSDP, excluding investment by public sector corporations					
^b corresponding to the population share					
^c as projected in Chapter 4					
^d allocations for infrastructure development and special infrastructure					
^e as per the Budget for 2011-12					
^f Increase in share following 18 th Amendment					
^g as per Medium Term Budgetary Statement of MOF					
^h projected					

CHAPTER 3

MACRO ECONOMIC FRAMEWORK FOR PUNJAB

Projections for National Economy

The year 2010-11 witnessed a fall in the GDP growth rate to 2.4 percent from 3.8 percent in the previous year. The decline is due primarily to the impact of the floods which resulted in substantial crop losses and the growth rate of the agriculture sector fell to 1.2 percent, with negative growth in major crops. The larger-scale manufacturing sector has also shown low growth of one percent only. The economy continued to confront the problems arising from the war on terror which impacted severely on levels of private investment. In addition, the continued high levels of power loadshedding implied losses of output and higher cost especially for industry. Of particular concern was the large unanticipated jump in the fiscal deficit for 2010-11, which was projected at 4 percent of the GDP but ended the year at 6.6 percent of the GDP. There was a shortfall in FBR revenues of over 2 percent, with its concomitant implications on divisible pool transfers to the provinces. Slippages on the expenditure side were due to larger subsidies, especially to PSEs, while development expenditure at both the federal and provincial levels was cut back.

The consumer price index rose by 13.9 percent in 2010-11. This represents an upsurge in relation to the inflation rate in 2009-10 of less than 12 percent, caused by the impact of the floods on food items and monetization of the fiscal deficit which enhanced inflationary pressures.

The Annual Plan projections for 2011-12 envisage a process of economic recovery, with the GDP growth rate expected to rise to 4.2 percent. Agriculture is projected to grow at 3.4 percent, manufacturing at 3.1 percent and services at 5.0 percent. The inflation rate is targeted to come down to 12 percent. The initial fiscal outlook for 2011-12 is based on a substantial reduction in the deficit to 4 percent of the GDP. This is to be achieved on the back of rapid FBR revenue growth of over 26 percent, big containment in subsidies and rapid growth in the federal ADP.

Initial indications are that the GDP growth target will not be achieved due to the floods again in Sindh, which could reduce the growth rate by 0.5 percentage point. Also, the fiscal deficit is likely to be substantially higher. Already, the government borrowings from the banking system for budgetary support have reached Rs 700 billion, almost 3.5 percent of

the GDP, as the government has assumed the debt liability of public sector enterprises, especially those in the power sector. The projected level of the consolidated fiscal deficit of the federal and provincial governments in 2011-12 is about 7 percent of the GDP. There is some respite in the rate of inflation, especially as measured by the new CPI with base year of 2007-08. But the rate could pick up again as the fiscal deficit gets increasingly monetized and the currency comes under pressure due to a deterioration in the external balance of payments of the country, which has already to a depletion in foreign exchange revenues of \$ 1.5 billion in the first four months of 2011-12.

Medium Term Macroeconomic Framework

Based on the above, the economy is expected to grow at the rate of 3.5 percent in 2011-12. The rate of inflation is projected at 14 percent, close to last year's rate. Beyond 2011-12 the basic issue is whether the economy will show any recovery. The major constraining factor is the need to stabilize the economy in the face of a burgeoning fiscal deficit and the appearance once again of a large current account deficit in the external balance of payments. This is complicated by a weakening in the financial account due to a large fall in net aid inflows, especially after withdrawal of Pakistan from the IMF Standby Agreement, and a sharp decline in foreign direct investment. In fact, the pressure on foreign exchange reserves could mount later when a debt repayment has to be made to the IMF in 2010-11 of \$1.2 billion and in 2011-12 of over \$ 3 billion.

Therefore, the national economy is moving into a period of greater uncertainty. Aggregate demand may have to be managed more aggressively from 2012-13 onwards to restrict the level of imports to contain the current amount deficit. As such, the GDP growth rate is unlikely to exceed 4 percent over the next few years during the period when the BOP is under pressure. In addition, the threat of inflation is unlikely to fall significantly below the present rate in view of the prospect of continuing depreciation of the national currency.

Macroeconomic projections for the national economy are given in Table 3.1. The projections for the economy of Punjab are also presented in the table. These are based on the expectation that there will not be a significant divergence in the growth rates of agriculture and services from the national rates, but that industry will grow less rapidly due to the differential impact of the power and gas outages on the provincial economy.

The derived size of the Punjab economy, both at constant and current prices, is given in Table 3.2

TABLE 3.1 PROJECTED GROWTH RATES OF MACROECONOMIC VARIABLES, 2010-11 TO 2014-15 FOR PAKISTAN AND PUNJAB					
	2010-11	2011-12	2012-13	2013-14	2014-15
Pakistan					
GDP (Pakistan)	2.4	3.5	4.0	4.0	4.5
Of which:					
Agriculture	1.2	1.8 ^d	4.0 ^e	3.5	3.5
Industry	-0.1	3.0	3.5	4.0	4.5
Services	4.1	4.9	4.2	4.2	4.9
Punjab					
GRP (Punjab)	2.3	3.5	3.6	3.8	4.3
Of which:					
Agriculture ^a	2.0	3.0	3.0	3.5	3.5
Industry ^b	-1.5	2.0	2.5	3.0	3.5
Services ^c	4.1	4.9	4.2	4.2	4.9
Rate of Inflation	14	14	14	14	14
^a same as for Pakistan after 2012-13. Higher in 2011-12 due to absence of floods					
^b one percentage point less than Pakistan					
^c same as for Pakistan					
^d same as for lower because of floods in Sindh					
^e higher growth rate due to recovery after floods					
^f less impact of floods on Punjab					

TABLE 3.2 SIZE OF THE ECONOMY OF PUNJAB					
	2010-11	2011-12	2012-13	2013-14	2014-15
GRP (at constant prices of 1999-2000)	3571.8	3696.8	3829.9	3975.4	4146.4
GRP (at current Prices)	10361.3	12213.5	14410.7	17036.0	20236.7

Sizing of the Gross Regional Product of Punjab enables the derivation of some key fiscal ratios for the Province in Table 3.4. According to the revised estimates of 2010-11, the size of the provincial budget 4.7 percent of the projected GRP as compared to 5.1 percent in 2009-10. The decrease is attributable to a decline in the level of development expenditure.

TABLE 3.3 SOME KEY FISCAL RATIOS FOR GOVERNMENT OF PUNJAB (Rs in Billion)				
	2009-10 Actual	Percent of GRP ^a	2010-11 Actual	Percent of GRP ^b
Federal Transfers	341.6	4.0	438.0	4.2
Own-Revenues ^c	65.0	0.8	116.6	1.1
Current Expenditure	306.6	3.6	370.1	3.6
Development Expenditure	129.4	1.5	114.7	1.1
Total Budget ^d	436.0	5.1	484.8	4.7

Table 3.5 enables a comparison of level of sub-national expenditures in Punjab with a number of developing countries. Pakistan appears to be at an intermediate level of fiscal decentralization in terms of the level of sub-national expenditure. Countries like Brazil, South Africa, India, Argentina, China and Mexico are ahead of Punjab (Pakistan). In fact, the level of provincial expenditure is lower than the average for the sample of countries by over 2 percentage points of the GDP.

TABLE 3.4 SUB-NATIONAL EXPENDITURE AND REVENUES AS PERCENT OF GDP IN A SAMPLE OF COUNTRIES		
Country ^a	Expenditure ^b %	Revenues ^b %
Brazil	18.34	12.51
South Africa	15.51	3.09
India	12.56	6.06
Argentina	11.27	9.16
China	10.70	6.56
Mexico	6.61	4.36
Pakistan (Punjab)	4.68	5.30
Malaysia	5.06	4.70
Thailand	2.06	1.40
Indonesia	2.00	0.52
Philippines	1.87	0.88
Sri Lanka	1.24	0.78
Average of Above Countries	7.71	4.27
^a Presented in descending order of expenditure		
^b Figures for countries, other than Pakistan, are mostly for the late 90s		
Source: World Bank.		

CHAPTER 4

FISCAL TRENDS IN PUNJAB

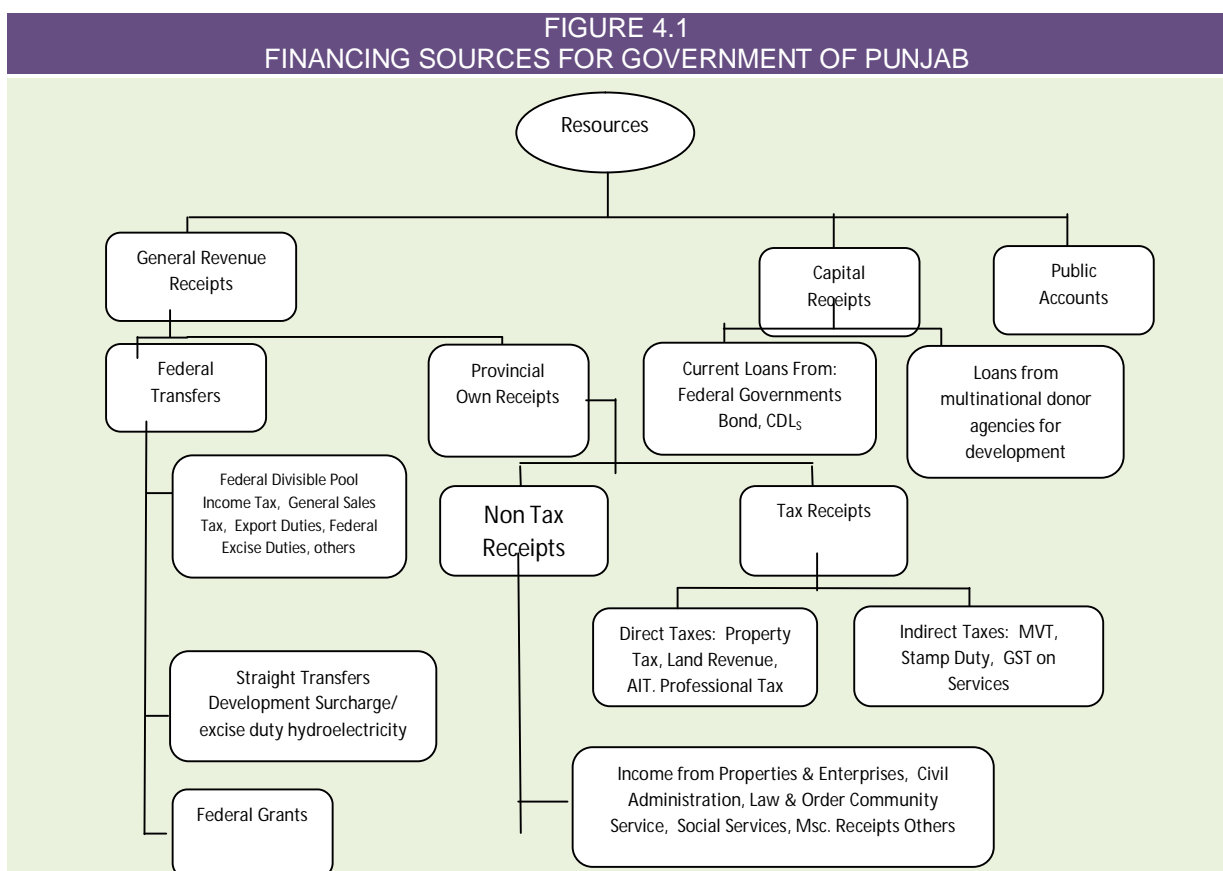
Punjab's fiscal performance has to be examined in terms of trends both in terms of resources and expenditures.

Fiscal Resources

Fiscal resources comprise the following:

- (i) Federal Transfers
- (ii) Provincial Own Receipts
- (iii) Net Capital Receipts
- (iv) Public Account Financing

Figure 4.1 below shows the various sources of financing available to the province.



(i) Federal Transfers

Pakistan is a federation and its fiscal system operates in such a manner that there is a clear vertical imbalance vis-à-vis resource availability and need for funds. In other words, the Federal Government has more revenue and lesser functions to discharge whereas the provinces have too few resources to discharge the functions assigned to them. Hence, a system of revenue sharing has been devised under the Constitution of the Islamic Republic of Pakistan, whereby the National Finance Commission (NFC) decides the formula for distribution of revenue between the federation and the provinces (vertical distribution of resources) and the distribution of provincial share among the provinces (horizontal distribution). Due to fiscal imbalance, Punjab also relies heavily on vertical transfers from the federal government under the NFC.

The 7th NFC Award, announced in December 2009, has resulted in significantly higher federal transfers for Punjab. Details of the Award are given in the next Chapter. The other important part of Federal Transfers are Straight Transfers. Straight Transfers are transfers arising out of royalties on oil and gas fields in the province. Hydroelectricity profits from stations located in a province are also transferred by the federation to the provinces as straight transfers. Unlike Khyber Pakhtunkhwa, Sindh and Balochistan, straight transfers are smaller for province of Punjab. Further the royalties on oil and gas is also stagnant for sometime as there have been no discoveries of new oil or gas fields in Punjab.

Subventions / grants were part of the federal transfers under the Presidential Order of 2006 which was the basis of revenue sharing prior to 7th NFC Award. Under the 7th Award, NFC has decided to do away with subventions except for a special grant to Sindh of Rs. 6 billion in lieu of the loss due to withdrawal of the octroi/zila tax sharing formula. Grants were discontinued as the NFC had decided to achieve horizontal equalization through introduction of multiple indicators for horizontal distribution of resources among provinces and the overall transfer to the provinces has been increased substantially.

(ii) Provincial Own Revenue:

Provincial own revenue comprises the following:

- Provincial Tax Revenue including Provincial GST on Services collected by the Federal Board of Revenue
- Provincial Non-Tax Revenue
- Extraordinary Receipts

General Revenue Receipts comprise both the Federal Transfers and Provincial Own Revenue

(iii) Capital Receipts

Capital Receipts are used essentially to plug the financing gap of the province that is left after deduction of all transfers, own tax and non-tax revenues from total expenditures. Capital Receipts comprise largely of foreign and domestic borrowing. The receipts are a net figure after deducting principal repayments on previous foreign and domestic debt obligations of the Government of Punjab. Foreign borrowing comprises of both direct budgetary support assistance, program and project loans. Utilization of the overdraft facility available to the Government of Punjab from the State Bank of Pakistan in case of short-term liquidity shortfall also forms part of Capital Receipts. However, MTFF does not take overdrafts as a source of future financing the development program.

(iii) Public Account Financing

Under the provisions of Article 118(2) of the Constitution of the Islamic Republic of Pakistan, all moneys not forming part of the Provincial Consolidated Fund (comprising the elements mentioned above) as defined by Article 118(1) and which are:

- (a) Received by or on behalf of the Provincial Government; or
- (b) Received by or deposited with the High Court or any other court established under the authority of the Province; comprise the Public Account of the Province. All receipts and withdrawals from the Public Account are regulated by Act of Parliament or in the absence of such an Act, are determined by rules made by the President / Governor.

The Public Account consists of funds for which the Provincial Government has a statutory or other obligation to account for, but which are not available for appropriation against the general operations of the Government. Therefore, the Public Account consists of a series of accounts, each of which has specific rules governing its operation.

In the past public account resources have been utilized for financing budgetary expenditures which is strictly not a correct practice. However, because the Government of Punjab follows cash based accounting system and has a single consolidated cash account comprising both budgetary receipts and public account receipts, there is likelihood that public account resources may have been expended for budgetary expenditures whenever there was a resource shortfall. Public Account also includes parked funds for specific purposes such as land acquisition deposits, sinking funds, unutilized public ledger accounts that have been transferred from the budgetary side to the Public Account and are strictly speaking not current liabilities but deferred liabilities.

Utilization of public account resources was resorted heavily during fiscal years 2005-06, 2006-07 and 2007-08. According to Civil Accounts 2005-06, a financing of Rs.28 billion was utilized from public account. Similarly during 2006-07, public account resources worth Rs.52.6 billion and in 2007-08 an amount of Rs.16.1 billion were used to finance the annual development program. In this way a total of almost Rs.97.391 billion was utilized from the Public Account of the province. Use of public account resources in such a big way clearly over-burdened the public exchequer in following ways:-

- The practice contributed to depleting the cash balance of the province.
- It also resulted in higher future recurrent expenditure liabilities for the Government.
- Finally, the utilization of public account resources meant that the Government would also have to discharge future unfunded liabilities of public account from its own resources.

The present Government, since taking over, has been actively discouraging the use of public account resources for financing the ADP.

Fiscal Trends in Punjab

Fiscal trends in Punjab since 2000-01 have gone through different stages. Initially the provincial fiscal picture was of weak revenue collection and depressed expenditures but the fiscal deficit of the province was under control. From 2000-01 to 2004-05, the receipts of the provincial government grew at an annual growth rate of only 11 percent. Resultantly the growth in expenditure was also moderate at 14 percent in this period. However, the policy of controlling expenditures was taking a toll on social services and economic infrastructure of the province and was creating social and infrastructure deficits. The government realized that if economic growth was to be ensured these deficits needed to be removed. Therefore, from 2005-06 onwards rapid growth both in current and development expenditure combined of over 16 percent has been witnessed.

The above policy of expansion, however, resulted in financial pressures on the province. While the Government of Punjab was able to finance a large part of the expenditure without compromising fiscal sustainability and maintaining a moderate financing gap (fiscal deficit) that was supported by multilateral budgetary assistance and project lending, it resorted to the undesirable practice of using funds from the public account.

From 2007 onwards the downturn in the economy saw decline in both federal transfers and provincial resources but as the government had committed itself to significant development and current expenditures in the economic and social infrastructure of the province from budgetary resources, consequent adjustment in expenditures was achieved with a lag. Initially, the pressure fell on the cash balance of the provincial government and it was constrained to use the overdraft facility from the State Bank of Pakistan in 2008-09. This

resort to borrowing has been curbed in 2009-10 by curtailment both of current and development expenditure. The residual fiscal gap for 2009-10 was moderate, which could be financed from normal capital receipts. By the beginning of the current fiscal year, 2011-12, Government of Punjab has paid off its overdraft with the State Bank.

Table 4.1 also provides a bird's eye-view of Punjab Government's fiscal performance during the last decade. For the period as a whole, revenue receipts have grown at about 17 percent per annum and expenditure by 16 percent. The growth in current expenditure is 15 percent per annum, whereas development expenditure has increased by 22 percent annually.

Table 4.1 also highlights the divergence between budgeted estimates and actual of key fiscal magnitudes. The largest difference is observed in the case of own receipts of the Government of Punjab which have in some years, like 2008-09, fallen short by as much as 47 percent. Federal transfers have been below budgeted figures in six out of the eleven years. In the earlier years of the decade the shortfall was relatively large at up to 15 percent. Overall, in eight out of ten years, the actual provincial receipts have been below budgeted figures with the maximum gap of 17 percent in 2008-09. The experience of the last fiscal year, 2010-11, is also of shortfall, of almost 3 percent.

The consequence of the shortfall in revenues has been that the bulk of downward adjustment has fallen on development expenditure. For example, in 2010-11 the cut back was large at over 40 percent. Current expenditures have generally not diverged substantially from the budget estimates as the major portion is on salaries, which are fixed in the short run. However, Punjab government has been successful in economizing on current expenditure over the last two years in the face of enhanced fiscal stress.

The failure to properly budget revenues has meant that there has been considerable fluctuation year-to-year in the residual financing gap to be financed largely by capital receipts. In the years, 2005-06 and 2006-07, when the development program was pushed up sharply, the financing gap was much larger than anticipated and led to depletion of the public account.

Following the slowing down of the economy in 2008-09 and the resultant large shortfall in revenue receipts of over 64 billion, the financing gap went above the budgeted magnitude by as much as Rs. 66 billion. Consequently, the provincial government had to increase its overdraft substantially with the SBP. However, by cutting back on the expenditure, there was success in reducing the financing gap in 2009-10. In 2010-11, the Government has been able to achieve a cash surplus of Rs. 46 billion.

TABLE 4.1
FISCAL PERFORMANCE OF THE GOVERNMENT OF PUNJAB

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11
A. Provincial											
Receipts											
Budgeted	122.7	125.0	117.0	145.1	163.3	196.4	242.6	299.5	371.1	417.1	570.4
Actual	110.5	108.3	128.1	130.5	168.0	191.2	228.5	272.4	307.0	406.6	531.6
% difference ^a	-9.9	-13.3	9.5	-10.1	2.9	-2.6	-5.8	-9.1	-17.3	-2.5	-6.8
Federal											
Transfers											
Budgeted	103.5	104.7	95.7	116.4	129.0	151.2	189.8	236.8	294.1	330.3	441.9
Actual	93.0	89.4	105.1	104.6	136.2	158.1	192.1	228.5	266.3	341.6	429.0
% difference	-10.2	-14.5	9.8	-10.2	5.5	4.6	1.2	-3.5	-9.4	3.4	-2.9
Own Reciepts^b											
Budgeted	19.2	20.3	21.4	28.7	34.3	45.2	52.9	62.7	77.0	86.8	128.5
Actual	17.5	18.9	23.1	25.9	31.8	33.1	36.4	44.0	40.7	65.0	102.6
% difference	-8.7	-7.1	8.0	-9.8	-7.2	-26.8	-31.2	-29.9	-47.2	-25.1	-20.2
B. Current											
Expenditure											
Budgeted	107.2	108.1	117.4	129.5	141.9	157.5	191.1	243.5	257.0	314.9	386.8
Actual	93.2	86.8	120.4	120.0	134.0	158.3	205.8	226.2	273.0	306.6	370.1
% difference	-13.0	-19.7	2.6	-7.3	-5.6	0.5	7.7	-7.1	6.3	-2.6	-4.3
C. Development											
Expenditure											
Budgeted	21.2	19.6	20.8	30.5	43.4	53.0	100.0	150.0	160.0	172.0	193.5
Actual	14.7	13.9	15.2	28.4	48.2	84.8	115.2	116.7	145.8	129.4	114.7
% difference	-30.7	-29.4	-26.8	-7.0	11.0	60.0	15.2	-22.2	-8.9	-24.8	-40.7
D. Total											
Expenditure											
Budgeted	128.4	127.8	138.1	160.0	185.3	210.5	291.1	393.5	417.0	486.9	580.3
Actual	107.9	100.7	135.6	148.3	182.2	243.1	321.0	342.9	418.9	436.0	484.8
% difference	-15.9	-21.2	-1.8	-7.3	-1.7	15.5	10.3	-12.9	0.5	-10.4	-16.5
E. Financing											
Gap											
Budgeted	-5.7	-2.8	-21.1	-14.9	-22.0	-14.2	-48.5	-94.0	-45.9	-69.8	-9.9
Actual	2.6	7.6	-7.5	-17.9	-14.2	-51.9	-92.6	-70.5	-111.9	-29.5	46.7
% difference	-144.7	-374.8	-64.6	20.1	-35.4	266.6	90.7	-25.0	143.9	-57.8	-571.8

Note that the % difference is the percentage of actual minus budgeted to budgeted.

The experience of the last decade of fiscal management provides some important lessons for good budgetary practices:

- (i) FBR has tended to overstate the growth in its revenues and this has led to a overstatement of the magnitude of transfers to the provinces, including Punjab. The likelihood of an upward bias in estimates is greater in years when the economy is not growing so rapidly, as is the case currently. The federal government it appears does not do a good job of forecasting economic downturns. Provincial governments need to have an independent forecasting capability particular following its enhanced role in the NEC following the 18th Amendment. There should be national consensus on the macro-fiscal framework.
- (ii) The record with regard to forecasting own revenues is not good, and the estimates have generally been on the optimistic side. For proper fiscal management, Finance Department's own revenue projection capabilities have to be strengthened.
- (iii) In view of significant cutbacks in the size of the ADP in the event resources mobilization does not achieve the target, explicit provision may be made at the start of a financial year for an 'operational shortfall'.
- (iv) As a practice, use of the public account for financing the budget must be avoided. Also, overdraft facilities with the SBP should be used only to facilitate short-term liquidity management. From the viewpoint of promoting transparency, the provincial government should explicitly state in the budget the proposed magnitude of external and domestic borrowing.

Turning to the extent of self-financing of its budget by the Government of Punjab, estimates are presented in Table 4.2. Own revenues have contributed a minimum of 13 percent in 2008-09 and a maximum of 20 percent in 2003-04. In 2010-11, own provincial receipts were over 19 percent of total provincial receipts. This is due to first, the 7th NFC award and the 18th Amendment have addressed the issue of vertical imbalances by allocating explicitly the sales taxation on services and capital value taxation on immovable properties to the provinces. Second, limited provincial own contribution to receipts is also due to the under exploitation of provincial own revenue sources. The next two chapters deal with the medium run prospects for growth in federal transfers and own revenues respectively.

TABLE 4.2 SHARE OF FEDERAL/PROVINCIAL REVENUE IN RECEIPTS (%)											
	00-01	01-02	02-03	03-04	04-05	05-06	06-07	07-08	08-09	09-10	10-11
Federal Transfers	84.2	82.6	82.0	80.2	81.1	82.7	84.1	83.9	86.8	84.0	80.7
Provincial Own Receipts	15.8	17.4	18.0	19.8	18.9	17.3	15.9	16.1	13.2	16.0	19.3

CHAPTER 5

PROJECTION OF FEDERAL TRANSFERS

As highlighted earlier, inter-governmental transfers are the principal source of revenue for provincial governments in Pakistan, because of the imbalanced allocation of fiscal powers which has necessitated establishment of elaborate revenue sharing arrangements. These transfers are in accordance with the provisions of NFC Awards, which according to constitutional provisions should be announced once every five years. The last NFC award was announced in 2009. The key salient features of the 7th Award are as follows:

Enlargement of the Divisible Pool: The size of the divisible pool has been enhanced because of a reduction in collection charges from an average of 5.2 percent to 1 percent.

Provincialisation of the Sales Tax on Services: NFC recognized that sales tax on services is a provincial subject and accepted the demand of the provinces to devolve services taxed under the ambit of federal excise duties to the provinces. There is also a provision for GST on services to be collected by the provinces, if they so desire.

Higher Provincial Share in Vertical Transfers: The 7th NFC Award increases the provincial share in the divisible pool from 46.25 percent to 56 percent in the first year of the NFC award and 57.5 percent in the subsequent years. The award also does away with the existing system of subventions and replaces it with fiscal equalization among provinces through a non-discretionary and transparent revenue sharing formula, discussed below. The only exception is a Rs 6 billion grant to Sindh.

Multiple Criteria for Horizontal Transfers: Punjab showed accommodation to the longstanding demand of other provinces to have multiple indicators, other than population, for horizontal distribution. Previously, divisible pool (excluding 1/6th of sales tax) transfers were distributed solely on the basis of population. The distribution of one-sixth of sales tax, in lieu of octroi/ zila tax to be transferred to district governments, was distributed on the basis of collection shares determined in the 1996 revenue-sharing arrangements. Accordingly, Punjab got a share of 50 percent, Sindh, 34.85 percent, Khyber-Pakhtunkhwa, 9.93 percent and Balochistan 5.22 percent. This distribution basis, however, remained disputed.

Under the 7th NFC Award, all revenue is distributed according to the agreed upon provincial shares which are derived using multiple criteria of poverty, inverse population density (IPD) and revenue contribution (both collection and generation) and population. The formula builds in horizontal fiscal equalization through explicit recognition of backwardness (poverty) and cost of provision differentials (IPD) while allowing provinces some benefit of revenues collected and generated. Population, however, continues to be the principal basis of distribution with a weight of 82 percent. Province wise weights of indicators for horizontal distribution are presented in Table 5.1.

TABLE 5.1 PROVINCE WISE SHARE IN INDICATORS						
	Weight (%)	Punjab (%)	Sindh (%)	Khyber- Pakhtunkhwa (%)	Balochistan (%)	Total (%)
Population	82.0	57.36	23.71	13.82	5.11	100.00
Poverty	10.3	23.16	23.41	27.82	25.61	100.00
Revenue	5.0	44.00	50.00	5.00	1.00	100.00
IPD	2.7	4.32	7.18	6.51	81.99	100.00
Total	100.0	51.74	24.55	14.62	9.01	100.00

Special Considerations: The 7th NFC is also unique as it takes into account special considerations which impact on the fiscal requirements of the provinces. First, the federal government and provinces recognized the role of Khyber-Pakhtunkhwa as a frontline province against the 'war on terror'. The federal government has undertaken to bear most of the expenditures incurred on the war. As a gesture of support, all provinces also joined with the federal government to earmark one percent of the total divisible pool for Khyber-Pakhtunkhwa. Second, the federation and all the provinces recognized the special development needs of Balochistan and agreed to not only raise the share of the province in the provincial divisible pool to 9.01 percent, but to underwrite revenue transfers of Rs 83 billion to the province for 2010-11. Any shortfall in this amount would be made up by the federal government from its own resources. Punjab contributed the largest share by accepting a cut of 1.27 percent in its share, followed by Sindh, 0.39 percent and Khyber-Pakhtunkhwa, 0.26 percent.

Enhancement in Straight Transfers: Royalty on natural gas and gas development surcharge (GDS) have been notionally clubbed together and the combined rate per MMBTU worked out. Royalty is distributed on the existing basis while GDS would be distributed by making adjustments based on this effective rate. Consequently, the share of Balochistan and Punjab provinces goes up at the cost of Sindh. Also, the federal government has resolved the longstanding dispute with Khyber-Pakhtunkhwa on arrears of hydel electricity profits and with Balochistan on arrears of GDS. According to the agreement, Khyber-Pakhtunkhwa will receive arrears of Rs 110 billion over a period of five years, while Balochistan will get Rs 10 billion over the same period. Punjab will also receive arrears on account of profit from hydel electricity of Rs. about 30 billion.

All in all, the 7th NFC Award is unique in its design and its sensitivity to the needs of the federating units. It is also an Award which has made big changes in the status quo and is therefore, likely to have substantial and varying implications both on the federal government and four provincial governments. But the real accomplishment of NFC is the rekindling of the spirit of national solidarity, cohesion and unity. NFC agreement has shown the capacity of the federating units to resolve complex, longstanding and critical disputes through accommodation and democratic dispensation. Punjab has taken a lead in this and has won national appreciation.

Trend in the Tax-to-GDP Ratio

Besides the revenue sharing formula, federal transfers from the divisible pool to the Government of Punjab are essentially determined by the level of tax revenues mobilized by FBR. This is the case as, unlike the other provinces where straight transfers constitute an important proportion of federal transfers, Punjab's dependence is mostly on 'divisible-pool' transfers. As such, the evolution of tax-to-GDP ratio is an important factor in determining the resource availability to the provincial government.

Table 5.2 presents the evolution of federal tax revenues and the federal tax-to-GDP ratio. Pakistan has been in the low tax-to-GDP trap over the last decade. The ratio of FBR administered taxes-to-GDP has remained at below 10 percent which is low when compared internationally with countries at a similar level of development. Factors responsible for keeping Pakistan in this low tax-to-GDP trap include a narrow tax base, widespread

exemptions and concessions; tax evasion; slack tax administration and resort to supply-side economies of simulating growth by tax cuts.

TABLE 5.2 TREND IN FEDERAL TAX REVENUES			
	Federal Tax Revenue	Gross Domestic Product	FBR Tax-to-GDP Ratio
	(FBR)	(GDP) ^a	(%)
1999-2000	347.1	3793.4	9.2
2000-01	392.3	4162.7	9.4
2001-02	404.1	4401.7	9.2
2002-03	460.6	4822.8	9.6
2003-04	520.8	5640.6	9.2
2004-05	590.4	6499.8	9.1
2005-06	713.4	7623.2	9.4
2006-07	847.3	8673.0	9.8
2007-08	1008.1	10242.8	9.8
2008-09	1161.2	12739.3	9.1
2009-10	1327.0	14836.5	8.9
2010-11	1552.0	18063.0	8.6

^a GDP was re-based from 1999-2000 onwards by FBS

In order to enhance revenues, the Federal Government plans to introduce measures aimed at broadening the tax base and strengthening tax administration. According to the Federal Medium Term Budgetary Framework (MTBF) 2011, these measures will raise an additional revenue of Rs 125 billion and increase the tax-to-GDP ratio to 9.9 percent by the year 2013-14. The projections presented in the Federal MTBF are lower than those included in the NFC report in which it was expected that taxation reforms will boost the tax revenues to Rs. 1704 billion by 2010-11 and subsequently raise the tax-to-GDP ratio to 15 percent of the GDP.

The Federal Government has historically been optimistic in projecting revenues. Analysis over the last decade shows there has been on the average a shortfall of almost 5 percent annually in actual divisible pool transfers in relation to those budgeted. Given that the accuracy of divisible pool projection is determined by the level of FBR revenues, an alternative approach adopted for projection in this MTFF is to estimate the buoyancy of these revenues on the basis of past trends.

The buoyancy of FBR tax revenues with respect to the growth in real GDP and the rate of inflation is estimated at 1.17 and 0.89 respectively. Using these buoyancy estimates and the GDP and inflation projections, described in Chapter 3, the federal tax-to-GDP ratio is

projected to increase from 8.6 percent in 2010-11 to 9.0 percent by 2014-15 (see Table 5.3).

TABLE 5.3 PROJECTION OF FBR TAX-TO-GDP RATIO AND REVENUES					
	2010-11	2011-12	2012-13	2013-14	2014-15
Federal Tax-to-GDP Ratio	8.6	8.7	8.8	8.9	9.0
FBR Tax Revenue	1552	1850	2177	2577	3050

These projections are lower than those of the federal government but are considered more realistic for projecting transfers to the Government of Punjab. This is particularly the case given the inability of the Federal Government to introduce RGST, as originally envisaged.

Projection of Divisible Pool Transfers

Based on the above projections and in accordance with provisions of the 7th NFC Award, divisible pool transfers to the province of Punjab are projected at Rs. 511.1 billion in 2011-12, increasing to Rs. 842.7 billion by 2014-15 (see Table 5.4). These transfers are projected to increase at an annual rate of 18 percent over the revised estimates in 2010-11 of Rs. 419.5 billion.

TABLE 5.4 NATIONAL FINANCE AWARD TRANSFERS TO PUNJAB				
	2011-12	2012-13	2013-14	2014-15
FBR Tax Revenues	1850	2177	2577	3050
Less: Deduction for Workers Welfare Fund, Fed. Income Tax, Excise Duty on Gas and Export Dev. Surcharge	40.6	47.8	56.6	67.0
GST on Services	55.1	64.9	76.8	90.9
Divisible Pool (Taxes)	1754.0	2064.3	2443.6	2892.1
Less: 1% Collection Costs	17.5	20.6	24.4	28.9
KPK 1% WOT share	17.4	20.4	24.2	28.6
Net Divisible Pool	1719.4	2023.3	2395.0	2834.6
Provincial Share (%)	57.5	57.5	57.5	57.5
Provincial Share in Revenues	988.7	1163.4	1377.1	1629.9
Punjab's share (%)	51.7	51.7	51.7	51.7
A. DP Transfers to Punjab	511.1	601.5	712.0	842.7
B. Straight Transfers*	6.8	7.1	7.5	7.9
C. Grants	3.4	3.5	3.6	3.7
Total Transfers**	521.3	612.1	723.1	854.3
*Includes Royalties, Gas Development Surcharge and Excise Duties on Gas				
**A+B+C				

Straight Transfers

Under Article 161 of Constitution and the NFC Award, Straight Transfers to the provinces include:

- i) The net proceeds of the Federal excise duty on natural gas
- ii) Net proceeds of royalty on crude oil and natural gas assigned to the provinces under the Constitution.

The revised estimates of 2010-11 of Straight Transfers on these counts has been pitched at Rs. 7.8 billion. These are higher as the 7th NFC Award has revised the basis of calculating these by clubbing royalty and GDS into one which works out to the benefit of Punjab as highlighted in Section 6.1.

The federal government collects GST on services on behalf of the provincial governments and reverts back revenues collected net of costs of collection. Following the 7th NFC award, which recognized that the sales tax on services is a constitutional right of the provinces, the federal government will also revert back revenues previously collected as federal excise duty (CE mode) on services to the provinces. This alongwith an expansion of the GST tax net to include more services will lead to a substantial increase in revenues from this source to the Government of Punjab. In the absence of full agreement yet on the distribution of revenues among provinces and the federal government, the allocation for 2010-11 by the federal government is budgeted on the basis of population. It is assumed that this allocation basis will continue. Revenues accruing to the Government of Punjab on account of GST on services are projected at Rs 40 billion in 2010-11, increasing to Rs. 65 billion by 2013-14. These transfers are expected to show an annual growth rate of 13 percent. Though collected by FBR and transferred to the Government of Punjab, these are provincial own tax revenues and are therefore discussed in the next chapter on Provincial Revenue Mobilization.

Previously hydro-electric profits were also a part of the Straight Transfers but under the New Accounting Model (NAM), they are included in provincial non-tax revenues under the category of Income from Property and Enterprises. Similarly, Straight Transfers also have been reflected under provincial Non-Tax Revenue in the Annual Budget Statement. For the purpose of this MTF, profits from hydro-electricity and their arrears are also shown in non-tax revenues.

Federal Grants

Federal grants can be divided into development and non-development grants. The main non-development grant, which is also called a subvention, will only be provided to Sindh province under 7th NFC Award. Punjab will not receive any subventions. It may also be mentioned here that although the MTFF has separately discussed federal grants for ease of understanding, the Annual Budget Statements include federal grants in provincial non-tax receipts. The revised estimate in 2010-11 of Federal Grants is Rs.10.7 billion. These, however, are projected at a minimal level in this MTFF.

CHAPTER 6

PROVINCIAL RESOURCE MOBILIZATION

Currently the four provinces combined are generating less than half a percent of GDP as own revenues. This ratio has in fact fallen over the years. Given that the country needs to make an all out effort to get out of the low tax-to-GDP trap, sub-national governments will also have to play their due role by enhancing the level of fiscal effort in their respective jurisdictions. The province of Punjab is determined to improve its level of fiscal effort as discussed below.

Development of Tax Revenues

Analysis of provincial tax mobilization over the decade reveals a varying level of fiscal effort. Provincial tax effort clearly slackened during the period 2003-04 to 2007-08, when there was a fast growth in GDP. The growth rate of provincial taxes declined to 12 percent per annum from over 15 percent in the previous two years. Thereafter, some vibrancy is observed in provincial tax mobilization. Growth in provincial taxes over the last two years has averaged close to 30 percent. The high growth is because sales tax on services and capital value tax, hitherto collected by the federal government and shown as part of federal transfers, have been devolved to the province and are, therefore, a part of provincial tax receipts. Currently, buoyancy of provincial tax revenues (excluding sales tax on services) is estimated at 0.80 with respect to the GRP. That is, if the provincial economy grows by 10 percent, provincial tax revenues grow by about 8 percent. This coefficient has to be raised to, say, 1.2 to lead to some increase in the provincial tax-to-GRP ratio. This would essentially imply continuation of the recent growth momentum over the medium term timeframe.

Improvement of Tax Administration

An important factor contributing to the under exploitation of provincial tax bases is weak and out dated tax administration. Presently, tax collection by the provincial government is being carried out by different departments/agencies, that is, Board of Revenue (BOR), Excise and taxation Department and other entities in a fragmented manner. The Board of Revenue is mainly collecting Land Revenue, Agricultural Income Tax and taxes on poverty/ land transactions. Excise and Taxation Department is entrusted with the collection of Motor Vehicle Taxes, Urban Immovable Property Tax and Excise Duty. General Sales Tax on Services has been assigned to FBR temporarily as the Provincial Government does not have the capacity yet to collect this tax in an effective manner. Under the present tax collection system, absence of effective governance structures in the

Departments results in sub-optimal revenue collection. In view of this, Punjab Finance Minister in his budget speech for the Financial Year 2011-12 announced the creation of Punjab Revenue Authority (PRA) to collect all provincial taxes, in particular, the General Sales Tax on services. It is believed that through the creation of a specialized agency, revenue potential of different taxes, especially GST on services, would not only be fully tapped but this would also result in an efficient, transparent and effective collection. Besides streamlining and modernizing the function to tax administration, it is hoped that creation of Punjab Revenue Authority would improve tax efficiency, promote accountability, prevent tax evasion, facilitate the tax payer and thus enhance revenue collection. Further, the Authority would also be able to address the issue of tax compliance and broadening of the tax base.

It is also felt that just merging the existing tax collection machinery into one authority will have limited success until the current problems associated with the tax collection culture are effectively addressed. Accordingly, it is suggested that in the first instance, complete 'Business Process Re-engineering' (BPR) for each tax is undertaken. Once this exercise is completed, the tax with some screened staff of the original department (along with some essential new recruitment) is transferred to the PRA. The cornerstones of the BPR should be to: (a) minimize discretion of the government functionaries; and (b) reduce interaction between tax payers and the tax assessors. These objectives would be achieved through effective use of Information and Communication Technology (ICT) based applications.

The government of Punjab has already made initial progress on this proposal and a Steering Committee comprising of Chief Secretary (Chairman), Secretary Finance (Convener/Secretary), Secretary Excise and Taxation, Secretary Law and Parliamentary Affairs, Secretary Regulations (S&GAD), and Member (Taxes), Board of Revenue, has been established to oversee this important fiscal reform initiative.

Development of GST on Services

The primary growth area for provincial taxes is sales tax on services. Provinces will gain significantly because of the devolution of this source. In accordance with the provision of the 7th NFC Award, progress has been made to operationalize the devolution of GST on services to the provincial governments. Effort is to broaden the tax base by extending the tax net to hitherto untaxed or undertaxed services. Sales Tax on service is expected not only to raise substantial additional revenues but also distribute the tax burden more evenly across sectors and contribute towards greater progressivity of the tax system of Pakistan.

Historically, due to constitutional provisions which restrict the federal government to levy a sales tax on “the sale and purchase of goods imported, exported, produced, manufactured or consumed”, it had found it expedient to levy an excise duty on services, effectively in the GST mode. Federal Excise Duty (FED) was levied on TV/ cable, insurance, non-fund services, air travel tax and property developers. Beyond this, sales taxable services (in FED VAT mode) include telecommunications, facilities for travel, inland carriage of goods by air and shipping agents.

In 2000, Provincial ordinances were promulgated authorizing the federal government to collect sales tax on services at the standard rate on hotels, marriage halls, lawns/ clubs/ caterers, advertisements on radio/ TV, customs agents, ship chandlers, stevedores, shipping agents, courier services, beauty parlours, beauty clinics, slimming clinics, laundries and dry cleaners, caterers and travel agents.

Through the above legislation, however, the government is able to mobilize only a fraction of revenues that can potentially be generated from the large and buoyant services sector. Initial estimates reveal that the services sectors combined generate less than one-fourths of FBR revenues while their share in the national economy is more than half. Clearly significant potential exists for raising more revenues from this sector. Research undertaken for the Federal Board of Revenue (FBR) demonstrates that additional revenues from replacement of GST and an expansion of RGST to sectors not covered under the GST regime could yield an additional 0.5 percent of the GDP⁴.

Since GST on services is a provincial tax, revenue will not be shared between the federal and provincial governments but will be reverted back to provinces. The issue is the allocation basis among the provinces. Table 6.1 indicates that provincial shares in household consumption expenditure on services do not diverge substantially from population shares.

TABLE 6.1 PROVINCIAL SHARE IN CONSUMPTION OF SERVICES BY HOUSEHOLDS, 2007-08			
	Actual Expenditure (Rs in Billion)	Provincial Share in Expenditure on Services	Population Share (%)
Punjab	1315.2	60.39	57.36
Sindh	517.1	23.74	23.71
Khyber- Pakhtunkhwa	284.3	13.05	13.82
Balochistan	61.1	2.82	5.11
Total	2177.7	100.00	100.00

⁴ The VAT on Services, Institute of Public Policy, Beaconhouse National university, June 2010

The Federal Government has constituted a committee to decide on the allocation formula as the NFC did not explicitly consider this matter in its deliberations. A number of meetings of the committee have been held. In the meetings held on 27th and 28th September, 2010 to finalize issues relating to implementation of reformed GST it was decided that for the purpose of levy and collection of GST on services, and keeping in view the right of the provinces to levy and collect GST on services as well as maintaining the concept of levying a GST wherein input adjustments and cross provincial transactions are integrated, the following three groups of services be identified:

Group-I: Standalone Services

- Group-I services shall include such services that neither involve transactions across the province nor contribute a significant proportion as inputs into other supplies. These services shall be deemed to be of a 'standalone' nature and neither input/ output adjustment nor refund will be provided for such services. Services to be included in this category are to be decided by a technical committee comprising representatives of the federal Finance Division, all the provinces and the FBR.
- Group I Services may be levied and collected by provincial governments, if they so desire. Alternatively, any province may delegate collection of taxes under Group-I services to FBR. The proceeds of these taxes shall be credited to each province on the basis of collection from the province.

Group II: Telecom Services (Origin of Service Clearly Identifiable)

- Group II shall include Telecommunication services, given that the origin of this service is clearly identifiable. The proceeds of GST on Telecom services shall be credited directly to the provinces on the basis of origin of service in each province.
- Other services currently placed in Group I but where the service constitutes a significant proportion as inputs into other supplies and the origin of the services are found to be clearly identifiable, may also be included in Group II. FBR will provide input/ output adjustments for services in Group II. After mutual agreement between FBR and the provincial governments, on the input/ output adjustment and refunds provided, FBR will intimate Finance Division which will deduct the specified amount from provinces' respective share of their future proceeds.

Group III: Services Requiring Input/ Output Adjustment

- Group III shall include services that constitute a significant proportion as inputs into other supplies or involve transactions across provinces, shall be delegated by the province(s) to FBR for collection. Currently, these could include:
 - a) Financial services, including banking, insurance, stock market operations, etc.
 - b) Advertising services
 - c) Construction services
 - d) Franchising services
 - e) Other services that constitute a significant proportion as inputs into other supplies and involve transactions across provinces.
- FBR will provide input/output adjustment and refunds for services in Group III. Net tax proceeds from services in Group III will be placed in a separate fund which will be distributed among the provinces. As an interim measure by accepting provisionally for one year the stated position of each province given below and the federal government picking up the differential to make up for the demand of each province, the provincial shares will be as indicated below:

Punjab	Sindh	Khyber Pakhtunkhwa	Balochistan	Total
60.39%	50.00%	15.62%	10.00%	136.01%

- For FY 2011-12, the Federal Government and the provinces would evolve a formula that is mutually acceptable to all provinces.

A series of the meetings of the Technical committee have been held to categorize services in the standalone category and agreement was reached except in the case of the following seven services: courier services; customer agents, shipping agents, stevedoring agents, freight forwarding agents; commission agents and stock brokers. Government of Sindh is of the view that these should fall in Group-I while province of Punjab and Khyber-Pakhtunkhwa view them as involving cross border input/output adjustments and therefore candidates for either Group-II or III. Provincial finance secretaries have decided to take the issue to an appropriate political level for amicable resolution.

Meanwhile, the Government of Sindh has established the Sindh Revenue Board (SRB) and promulgated Sindh Sales Tax Act 2011 imposing GST on not only standalone services but services in other groups II and III also. Government of Punjab has

conveyed its reservations/apprehensions on the Act and the collection of GST on contentious services as being contrary to the agreement signed by all the provinces. The Government of Punjab has sought intervention of the Federal Government and demanded that Sindh Government should avoid such actions which are detrimental to the uniformity of GST on services regime in the country. Punjab Government has also requested the Federal Government not to withdraw the federal excise duty on these services till the resolution of the issue, which will now be taken up by the recently constituted eight National Finance Commission.

Prompt resolution of this issue is essential as it has a number of important implications. First, if input invoicing on such services is not allowed, as is currently the case in Sindh, a significant proportion of the tax collection in Sindh will be “exported” to the other provinces which goes against the norms of equitable taxation. Second, this will erode the tax revenue share of the three other provinces which will again not auger well on equity grounds. Third, very importantly, fragmentation of the taxation structure will create impediments to the operation of a national common market and lead to serious economic distortions and dislocation.

Other Provincial Taxes

Given the current allocation of fiscal powers, provinces have two other promising direct revenue sources under their fiscal jurisdiction, the Urban Immovable Property Tax (UIPT) and Agricultural Income Tax (AIT). Proper development of the property tax can yield significant revenues. Currently the tax mobilizes Rs. 3.2 billion, which is only a fraction of its potential. The Provincial Government proposes to implement a number of reform measures to enhance of the revenue of the UIPT. These measures include updating of valuation tables, reduction in differential between owner-occupied and rented properties, notification of new rating areas and facilitation of tax payers. During the financial year 2009-10, a survey of properties has been completed and accordingly new valuation tables have been developed, reflecting market rental values of the properties. Phased implementation over the next three years of the above reforms can lead to significant revenue gains from UIPT.

Currently, the AIT generates only about Rs 717 million in revenue. Today, major crops (wheat, rice, cotton etc) receive world prices with subsidized inputs of water and electricity. Therefore, the conventional argument given against the levy of agricultural income tax of disguised taxation is no longer valid. Effective taxation of agricultural income will also remove perception of inequity in the tax system. A case can be made for the levy of a presumptive tax at the marketing stage of crops at a small rate of 2 to 3 percent. In addition,

the AIT can be collected as a presumptive income tax on land holding. These proposals are being examined by the Provincial Government.

Higher resources can also be mobilized through other tax sources. Some proposals which can be implemented in a phased manner over the next three years are listed below:

1. Computerization of land records and preparation of up-to-date valuation tables in rural areas will streamline land Revenue and reduce leakage.
2. Likewise, some revision in valuation tables/ DC tables every year to reduce the gap between the value of property assessed and the market value of properties can boost stamp duty revenues.
3. In case of stamp duty on financial instruments like debentures, TFCs and commercial paper the rate has already been reduced and the following policy actions may be considered:
 - a. The categories of fixed/ ad-valorem rates in various instruments to be reduced to create uniformity and simplicity in the structure of the duty;
 - b. Fixed as well as ad-valorem rates to be reduced wherever it is likely to boost economic activity, encourage compliance (or reduce evasion) and thereby increase revenue collection;
 - c. Subclasses of instruments to be eliminated wherever possible;
 - d. Duty on similar instruments to be levied at the same rates;
 - e. In case of instruments which can be executed in any province, stamp rates not to be set above rates prevalent in other provinces to avoid loss in revenue;
4. In the case of motor vehicle tax, proposals include review of payment of annual token tax through post office system and replacement with collection through the banking system, establishment of database of vehicles in Punjab, enforcement through spot checking by traffic wardens.

Development of Non-Tax Revenues

Non-tax receipts accrue mainly on account of regulatory functions performed by the provincial government from rates and fees charged for the provision of certain social and economic services. Therefore, there are a large number of non-tax receipt items in the provincial budget but only a few are significant contributors to the total receipts. This classification also includes extraordinary receipts which are in the nature of one-time receipts accruing mostly on account of sale of Government assets (privatization) or through liquidation of Government investments and hence are not a regular source of revenue.

Grants received from the Federal government and development surcharges on gas and royalties on oil and gas are taken under non-tax receipts but for the purpose of MTF they are not included in the total. Included in income from property and enterprise are payments received from the federal government on account of profits from hydel-electricity. Government was not receiving net hydel profit from the Federal Government since 1996-97 as a result of incorrect recording of minutes of a meeting of ECC. Previous governments tried to get the restoration of this right of the people of Punjab but did not succeed. The present government, realizing the importance of this source of revenue, took up the case with the Federal Government on the grounds that net hydel profit is a constitutional right of the province and cannot be given up by the Executive of the province. The Federal Cabinet agreed and restored the right of Punjab province to receive net hydel profit. Following this decision a committee was formulated which worked out that arrears amounting to Rs.28.5 billion were payable to the Punjab Government. The Federal Government has paid an amount of Rs.13 billion out of these arrears during financial year 2009-10 and Rs 5.1 billion in 2010-11. It was also agreed that the remaining amount would be paid in next two years at Rs.5.1 billion per year.

An important cornerstone of the provincial resource mobilization strategy should be a move towards full operation and maintenance cost recovery particularly in the case of economic services. A major revenue source is Abiana. In 2010-11 the collection from abiana was Rs. 2.6 billion in Punjab, implying that the extent of cost recovery is only about 40 percent. The government of Punjab is considering a policy of raising the rates, over the next five years so that, more or less, full O&M cost recovery is achieved by the end of the period.

Currently, the abiana is collected by season on a flat rate basis per acre of cropped area. The rate is Rs. 145 per acre for the Kharif season and Rs 85 per acre for the Rabi Season. There is no variation in the rate by crop. Earlier, higher rates were charged for water-intensive crops like sugar cane and rice, but this system was abandoned due to leakages in collection. In the short run, the assessment of abiana may be linked to farm area and not to cropped area as this policy discriminates against the small farmer. Also, there is a proposal for making the rate progressive with respect to farm size, as a higher proportion of large farmers are located at the beginning of a watercourse. In the long run, the scope for water metering will need to be examined.

Likewise, a move in the direction of higher cost recovery may be considered in the case of mines, forests, law and order, community services, etc. Overall the, objective should be to increase receipts from non-tax resources (excluding profits from Hydroelectricity) by about 16 percent per annum.

Implementation of the above resource mobilization strategy will raise provincial own-tax revenues including GST on services to Rs. 137 billion in 2012-13 from about Rs. 70 billion in 2010-11 (see Table 6.2). Provincial non-tax receipts will increase from Rs. 33 billion to Rs. 37.4 billion over the period. Overall provincial own resource base will yield revenues of Rs. 175 billion, by 2014-15.

TABLE 6.2
PROJECTION OF PROVINCIAL OWN TAX AND NON-TAX REVENUES
(Rs in Millions)

	2010-11 (Actual)	2011-12 (BE)	Projection			Growth Rate (%)
			2012-13	2013-14	2014-15	
Provincial Tax Receipts	69659	88517	102138	119313	137751	18.6
Sales Tax on Services	33988	39909	46694	55569	65016	17.6
Agricultural Income Tax	717	927	1029	1142	1268	15.3
Urban Immovable Property Tax	3220	5580	6305	7125	8051	25.7
Land Revenue	8282	9968	11164	12504	14004	14.0
Registration	2681	2975	3451	4003	4644	14.7
Tax on Professions, Trades & Callings	397	510	576	651	736	16.7
Capital Value Tax	2282	3000	3450	4392	5051	22.0
Provincial Excise	1219	1440	1656	1971	2267	16.8
Stamp Duties	9172	10108	11624	13368	15373	13.8
Motor Vehicle Tax	5862	8459	9728	11187	12865	21.7
Cotton Fees	334	404	444	489	538	12.7
Tax on Hotels	2	338	382	432	488	295.2
Electricity Duty	362	4752	5465	6285	7227	111.4
Others	1142	147	169	194	224	-33.5
Provincial Non-Tax Receipts	32900	28081	30545	33270	37402	3.3
Income from Property & Enterprises	6575	6561	6823	7096	8497	6.6
Irrigation Charges	2675	2869	3357	3927	4595	14.5
Agriculture	633	740	814	895	985	11.7
Police	2101	2156	2221	2287	2356	2.9
Mines and Minerals	1611	2000	2200	2420	2662	13.4
Communications and Works	1033	1725	1898	2087	2296	22.1
Others	18272	12030	13233	14556	16012	-3.2
Total Provincial Receipts	102559	116598	132683	152583	175154	14.3

*including Rs 5.7 billion from resolution of PTCL properties with the federal government.

CHAPTER 7

THE PROVINCIAL RESOURCE ENVELOPE

Projection of Total Provincial Receipts

As mentioned earlier, provincial receipts include: (i) general revenue receipts; (ii) development revenue receipts; (iii) current capital receipts; and (iv) development capital receipts. General revenue receipts comprise three income flows. First, revenues received from the federal government as federal transfers. As discussed in Chapter 5, these include divisible pool transfers, straight transfers and federal grants. Projections of these in the medium term timeframe are also presented in Chapter 5. Second, provincial own receipts include tax as well as non-tax inflows, projections of which are presented in Chapter 6. Included in this category are also receipts from GST on services collected by the federal government and reverted to the province.

Extraordinary receipts, which principally comprise receipts from privatization and sale of land are also included in general revenue receipts. Strictly speaking, these cannot be considered a regular income source. During the financial year 2009-10 receipts under this head were Rs. 6.3 billion. These receipts included an amount of Rs. 5.7 billion realized from resolution of the issue of PTCL properties with the Federal Government whereas the remaining amount was realized from the sale of redundant Government assets.

Development revenue receipts are primarily grants from the federal government and multilateral agencies for specific development projects. It includes a part of the foreign project assistance used to finance the ADP. Major grants include DFID grant for “Punjab Education Sector Development Programme” and “Punjab Economic Opportunity Program”.

Current Capital Receipts mainly accrue from new loans borrowed or raised by the provincial government and recoveries of loans granted to provincial establishments or their employees. Receipts from this head are used for principal repayment of domestic, foreign and market debt, repayment on account of ways and means advances and loans and advances to corporate bodies of the Government. Net of such expenditures, these receipts are used for the financing of provincial ADP. Over the next four year timeframe, these are projected as negative given the repayment liabilities, particularly on the CDL and other loans, and the suspension of program lending by multilateral agencies.

Finally, Development capital receipts mainly comprise loans borrowed from multilateral donors agencies through the Federal Government for specific foreign assisted development projects.

Overall, the sources mentioned above, specifically, surpluses from general revenues receipts, net capital receipts, foreign assistance of projects and program assistance finance the ADP of the province. Historically, net public accounts receipts have also contributed in some years to funding development activity in the province. It is proposed to avoid this practice in future years. Tables 7.1 summarize the resource envelope of the provincial government in the medium term framework from the above sources.

As projected in Chapters 5 and 6, Federal Government revenue sharing transfers, straight transfers and grants will contribute Rs. 521.3 billion to the provincial exchequer in 2011-12, increasing to Rs. 854.3 billion in 2014-15. The provincial own resources will further add Rs. 116.6 billion in 2011-12 increasing to Rs. 175.2 billion by 2014-15. Besides these, provinces will have financing available of Rs. 3.1 billion in 2011-12 increasing to Rs. 15.2 billion in the subsequent year through other sources as presented in Table 7.1.

Description	2010-11	2011-12	2012-13	2013-14	2014-15
1 Federal Resource Transfer	438.0	521.3	612.5	723.1	854.3
Divisible Pool Transfer	419.5	511.1	601.5	712.0	842.7
Straight Transfers	7.8	6.8	7.1	7.5	7.9
Subventions	0.0	0.0	0.0	0.0	0.0
Federal Grants	10.7	3.4	3.5	3.6	3.7
2 Provincial Resources	106.5	116.6	132.6	152.5	175.2
Provincial Tax Revenues	75.3	88.5	102.1	119.3	137.8
Non-Tax Revenues	31.2	28.1	30.5	33.2	37.4
3 TOTAL REVENUE RECEIPTS (1+2)	544.5	637.6	744.6	875.6	1029.5
4 Financing Available for Development	-18.1	3.1	1.2	11.3	15.2
Net Capital Account	-22.9	-25.7	-23.6	-15.3	-13.3
Net Public Account	-0.9	-	-	-	-
Foreign Assistance	5.5	10.1	11.6	13.4	13.3
Program Grants	0.2	12.5	13.2	13.2	13.2
TOTAL RESOURCES (3+4)	526.4	643.8	745.8	886.9	1044.7

Overall resources available to the provincial governments in the medium term framework are projected to increase from Rs. 526.4 billion in 2010-11 to Rs. 1044.7 billion by 2014-15. As a percentage of the regional economy, the provincial resource availability will be about 5.2 percent.

Analysis of Risk Factors

The growth of over 18percent on average in provincial resource availability from 2010-11 to 2014-15 is conditioned on a number of risk factors, including the following:

- i. The economy is expected to recover and show a growth rate of 4 percent in 2012-13 and 4.5 percent in 2014-15, as highlighted in Chapter 3. If, however, the economy slows down more than anticipated in 2011-12 or if the recovery thereafter is slower, then the projected growth rate in FBR revenues, which determine the size of the divisible pool, could be lower than projected earlier in this Chapter. For every one percentage point lower growth in the GDP, FBR revenues are lower by Rs 20 billion to Rs 25 billion annually.
- ii. The Federal Budgetary Statement envisages major improvements in tax administration by FBR. Such improvements are expected to raise the FBR tax-to-GDP ratio by 1.3 percentage points. If, however, these reforms are not implemented fully or if they do not yield the desired revenues, then FBR revenues could be lower, implying lower transfers to Punjab of 17 billion in 2012-13 and 63.4 billion in 2014-15.
- iii. As highlighted in Chapter 6, the fastest growth in provincial own-tax revenues is likely to be in the GST on services. This is based on the assumption that the provinces will promulgate legislation to introduce a broad-based RGST on services, excluding only education and health, and that consensus will be reached on the sharing of the revenues among the provinces. If, however, there are delays in the implementation of the broad-based GST on services even beyond 2011-12, then the growth in provincial own-tax revenues could be significantly lower. In this case, provincial resources could be lower by over Rs 20 billion by 2014-15.
- iv. A relatively fast growth rate of 16 percent has also been projected upto 2014-15 in provincial own-tax revenues. This is based on the assumption that the provincial government will develop promising revenue sources like the UIPT, AIT, etc. But if the existing revenue sources continue to grow only according to the historical rate of buoyancy with respect to the regional economy, then revenues are likely to be upto Rs 5 billion lower in 2014-15 than projected.

Sustainability of Public Debt

The analysis in Chapter 2 highlights that conservatively, Punjab needs to enhance its development allocations by over 1 percent of the GRP if it wants to get back on a high growth trajectory. Clearly, the resource envelope currently available to the Government of the Punjab even in the somewhat optimistic scenario is not enough to finance the required investment through its own resources. The question which then arises is whether or not the Government of Punjab has the financial capability to undertake some domestic or international borrowing.

Currently, the total stock of debt of the Government of Punjab is Rs485.7 billion, 4.7 percent the provincial GRP. It is projected to be just over Rs. 462 billion in 2011-12, equivalent to 3.8 percent. Table 7.2 shows that in 2011-12 debt servicing will pre-empt about 4.2 percent of provincial revenue receipts. By 2014-15, this ratio is likely to decline to 2.7 percent. The total stock of debt will also decline from 3.8 percent of the GRP to 2.2 percent by 2014-15.

TABLE 7.2 ANALYSIS OF DEBT SUSTAINABILITY OF GOVERNMENT OF PUNJAB (Rs. In Billion)				
	2011-12	2012-13	2013-14	2014-15
Interest Payments				
Domestic Loans	5.3	4.6	4.0	3.4
Foreign Loans	3.9	4.3	4.2	4.2
Loan for Capitalization of Bank of Punjab Blocked Account	1.2	0.3	0.1	n
	2.7	1.2	0.1	-
Total Interest Payments	13.1	10.4	8.4	7.6
Repayment of Principal	13.4	15.4	16.6	19.0
Domestic Federal Government Debt (CDL)	4.5	4.1	4.2	4.3
Foreign Debt	8.9	11.3	12.5	14.8
Total Debt Servicing	26.5	25.8	25.0	26.6
Total Debt Servicing as % of Provincial Revenue Receipts	4.2	4.3	3.0	2.7
Total Provincial Debt as % of GRP	3.8	3.1	2.6	2.2
n = small amount				

The provincial government may want to consider accessing the capital market for financing commercially viable projects, particularly in priority sectors like power, possibly in partnership with the private sector. The 18th Amendment to the Constitution has allowed some access to borrowing by provincial governments, the ceiling of which is to be decided by the National Economic Council (NEC). The Government of Punjab wants to play its role

in pulling the country out of the current low growth trap. It is in a position to access limited funding from the market to invest in projects/schemes which will remove the constraints to its growth, identified in Chapter 2. Some potential mechanisms are discussed below.

Alternative Instruments for Development Financing

Alternative instruments and financing sources for development programming which have potential for involvement of the private sector, donors and other stakeholders, include the following:

1. *Punjab Infrastructure Development Fund*

One proposal which has been put forward is the establishment of a separate Punjab Infrastructure Development Fund (PIDF). The objective of this Fund is to instill joint responsibility and accountability in planning, implementing and monitoring projects/programmes which are crucial to the province's development need like energy, with financing possibly on a matching basis between the public and private sectors or donors.

The PIDF must be operated within the context of the ADP as a whole. Otherwise, there is a danger of fragmentation of the development process, with diversion of planning and execution capacity only to selected projects/programmes. As far as donor assistance is concerned, it is important to ensure that rupee counterpart funds are available, which is one of the prime objectives of the MTDF. Beyond this, the Planning and Development, Finance and line departments may be strengthened to implement more effectively the Paris principles of Aid Effectiveness.

In addition, given the enhancement in the development role of the provinces following the 18th Amendment to the Constitution and the 7th NFC Award, there is need for establishment of formal consultative/advisory bodies with representation from the private sector, academia and civil society in the province, for discussion on issues of economic policy and development strategy. These periodic consultations should ideally be chaired by the Chief Minister.

2. *Private Financing of Infrastructure*

Given the need to raise development spending to boost the rate of economic growth there is a need to diversify the sources of financing by involving the private sector, both foreign and domestic, in the financing and management of commercially viable infrastructure, generally on BOT basis. But Infrastructure projects are complex, capital-intensive, long

gestation projects that involve multiple and often unique risks, and there are a large number of constraints to financing of infrastructure, especially by the private sector, as follows:

Financial Factors

- A combination usually of high capital costs and low operating costs implies that initial financing costs are a large proportion of total costs.
- Raising equity finance tends to be the most challenging aspect of infrastructure project financing.
- Most infrastructure projects yield returns after many years, and hence require longer tenor finance, which is generally not available in the absence of a long term corporate bond market.
- Insurance companies and pension funds are ideal candidates for supplying long tenor financing but generally are unable to do so due to well-defined regulations in Pakistan forcing them to make only low risk investments.

Fiscal Factors

- An enabling fiscal environment is a pre-requisite for attracting private investment in infrastructure, especially in the form of fiscal incentives like customs duty exemption on machinery and tax holidays on profits.
- These fiscal incentives are determined by the federal government and not by provincial governments. Currently, in Pakistan, there is no favourable tax treatment of machinery imported for infrastructure projects and tax holidays or accelerated depreciation allowances are available only for limited periods. The minimum tax provisions (at 1 percent of turnover) increase tax liabilities in initial years of a project.
- The fiscal impact in terms of pay back in future years is also not fully taken into the PPP framework.

Transactional Factors

- Infrastructure projects require multiple clearances at federal, provincial and local levels. This is a time consuming process not only due to the sheer number of approvals but also because clearances are frequently sequential in character. The

costs of doing business are further enhanced by the presence of kickbacks in the system.

- Transaction costs are enhanced, first, by lack of coordination between government ministries/departments at different levels, second, by problems in contract negotiations and delays in award of contracts and, third, limited capacity within government to execute infrastructure projects. We have already highlighted the problems of 'red-tape' in dealings with the provincial bureaucracy.

PPPs can help meet the infrastructure gap but they are often complex transactions, needing a clear specification of the services to be provided and an understanding of the way risks are to be allocated between the public and private sectors. Capacity to effectively conceptualize, procure and manage PPPs is very limited within the government in terms of development of appropriate legal and regulatory frameworks, procurement guidelines, etc. The process of PPPs can be expedited by preparation of Model Concession Agreements (MCA) for BOT projects, standard bidding documents, etc.

Overall, it appears that the scope of PPPs is currently limited in Punjab for a number of reasons. First, the overall investment climate in the country for the private sector is negative and risk perceptions are high currently. Second, the experience with PPPs is very limited and there are no major success stories. Third, as highlighted, no major fiscal incentives are available for private investment in infrastructure.

Therefore, even though gaps in infrastructure are large and growing in Punjab, expectations about PPPs in infrastructure have to be modest initially. The proposed initial steps are as follows:

- (a) The PPP cell established in the P&D Department should perform the following tasks:
 - Prepare legislation for a provincial Infrastructure Authority Act (IAA) to primarily focus on facilitating private developers/investors in securing administrative approvals, conflict resolution and fiscal concessions.
 - Prepare project development/feasibility studies for PPPs in areas indicated in Box 7.1, with modalities for project implementation including sources of finance and sharing.

- Arrange competitive and transparent bidding of projects.
 - Following passage of IAA, the PPP Cell may be upgraded to an Infrastructure Authority with the primary objective of supporting the private sector in land acquisition, environmental and other clearances, access to services and financial closure. The PIDF could also be managed by the Infrastructure Authority.
- (b) As envisaged in the MTDF, PPPs can be established in storage capacity, development of industrial estates and inter-district road network. Box 7.1 gives a list of commercially viable projects which can be executed in Punjab on the basis of PPPs.

BOX 7.1
EXAMPLES OF PUBLIC-PRIVATE PARTNERSHIPS

Examples of possible PPPs by the Provincial Government:

- Energy
- Special Enterprise Zones (SEZ) and Industrial Estates
- IT Parks
- Integrated Township and Convention Centres
- Technology Incubation Centres
- Commercial and Office Complexes
- Container Terminals (road transport)
- Hotel Resorts
- Minor Airports
- Bus Terminals
- Housing Schemes
- Multi-level Parking Complexes
- Warehousing
- Amusement /Entertainment/Theme Parks
- Agri/Horticulture Markets
- Specialized Institutions for Higher Education and Training
- Hospitals

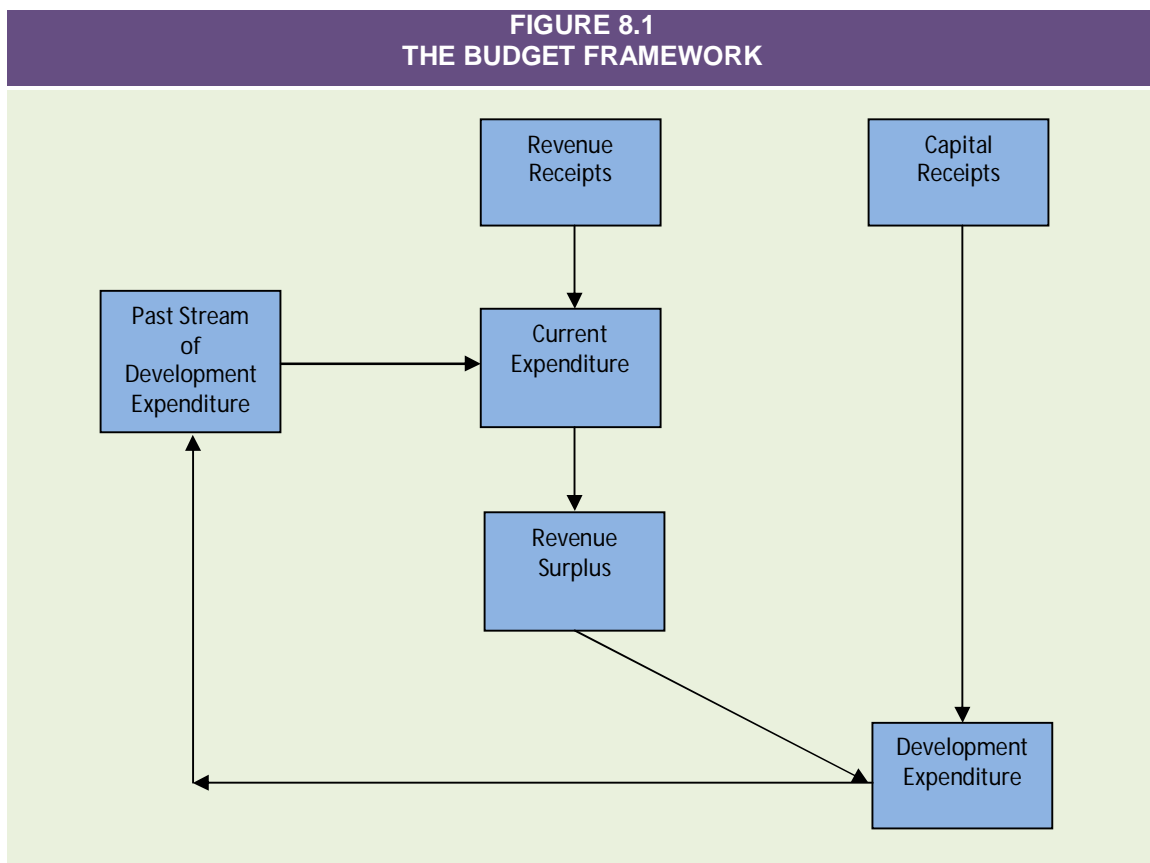
CHAPTER 8

THE BUDGET FRAMEWORK

The provincial resource envelope has been projected in the previous Chapter for the period, 2011-12 to 2014-15. The next stage is the construction of a Budget Framework, within the context of which provincial current and development expenditure can be projected. These can subsequently be disaggregated into expenditure ceilings for individual departments.

The Development – Current Expenditure Link

The framework used for making the budget is described in Figure 8.1, which is the same as that used for the preparation of the previous MTFF.



According to this framework, revenue receipts finance current expenditure. The surplus from the current budget constitutes a major part of the resources available for financing development expenditure (ADP), along with capital receipts.

As defined before, revenue receipts consist of federal transfers and own revenues of the provincial government. Capital receipts comprise primarily of foreign assistance and federal development grants (if any) and any borrowings from the banking system or the capital market, which have become possible after the 18th Amendment. It is assumed that there is no financing from the public account or by drawdown of cash balances.

Current expenditure depends, first, on the level of revenue receipts. This defines the fiscal space available for salary increases and for making provisions for operations and maintenance of services provided from the provincial exchequer. The development-current expenditure link is manifested by the downstream recurring liabilities that are created by the recruitment of personnel and O&M costs arising from development schemes that are completed with funds from the ADP. Since development programs/projects take years to be completed, a typical year's current expenditure also depends, therefore, on the past stream of development outlays.

Once the revenue surplus is determined as residual from the current budget, the size of the ADP is fixed on the basis of the resources available for development consisting of the revenue surplus and capital receipts. The overall size of the provincial budget then is the sum of the current and development (ADP) expenditures.

A variant to this budget framework focuses more on the development side. Consistent with the Medium Term Development Framework (MDTF), the provincial government may opt instead for a strategy of first deciding on the size of the development program. Recurring expenditure continues to be based on the level of revenue receipts and the past stream of development expenditures. In this case, capital receipts emerge as the residual, especially in terms of the required level of borrowings. As long as the build up in the ADP is not too ambitious it is possible to keep borrowings within any limits set by the National Economic Council. This option may become available in a limited manner to the provincial government in years to come.

The technical specification of the methodology used for forecasting the levels of current and development expenditure respectively given the projected levels of resources available is given in Annexure A-1.

Expenditure Projections

The projected level of current and development expenditure in 2011-12 to 2014-15, given the total resources available (quantified in Table 7.1) are presented in Table 8.1.

Given the resource envelope and the historical development priorities, the development expenditure in 2011-12 can increase to Rs 187 billion, which will allow adequate funding to achieve a faster rate of completion of on-going schemes. The current expenditure projected will increase to Rs 447 billion.

TABLE 8.1 PROJECTIONS OF THE SIZE OF THE PROVINCIAL BUDGET								
(Rs in Billion)								
	2011-12 Share		2012-13	Share (%)	2013-14	Share (%)	2014-15	Share (%)
Current Expenditure	447.2	70.85	508.9	68.2	614.5	69.3	736.2	70.5
Development Expenditure	187.2	29.5	236.9	31.8	272.4	30.7	308.5	29.5
Budget Size	634.4	100.0	745.8	100.0	886.9	100.0	1044.7	100.0
(as % of GRP)								
Current Expenditure	3.7		3.5		3.6		3.6	
Development Expenditure	1.6		1.6		1.6		1.5	
Budget Size	5.2		5.1		5.2		5.1	
Memo Item: GRP	12213.5		14410.7		17036.02		20236.7	

For, 2011-12, the initial budget estimates appear now to have been somewhat on the high side. There is likely to be a short fall of about Rs 33 billion due to lower divisible pool transfers resulting from a slower growth than anticipated earlier in FBR revenues. The cut back, in particular, in the provincial ADP is significant, from Rs220 billion to Rs 187 billion. Current expenditure is projected to account for almost 70 percent of the budget in 2011-12.

The expansion in fiscal space from 2013-14 onwards will enable a rapid growth rate in both the current and development expenditure of almost 18 percent. This is a positive outcome as the government can build up the development momentum which was expected following the 7th NFC Award. If resource projections for 2011-12 materialize then the share of development expenditure in the provincial budget could rise from less than 24 percent in 2010-11 to over 29 percent during the medium term timeframe.

Higher expenditure, particularly on the development side, is projected for 2011-12 in comparison to 2010-11 (development expenditure was Rs 114 billion in 2010-11). This is because the province tightened its fiscal management to repay the overdraft undertaken in previous years. Now that the overdraft is repaid and a positive cash balance has been achieved, the Government feels the need to enhance the development activity in the province and give a fiscal boost to growth. Development Expenditure is projected to be Rs 308 billion by 2014-15, increasing to about one and a half percent of the GRP.

Sensitivity Analysis of Projections

Sensitivity analysis can be undertaken of the medium-term projections of current and development expenditure with a shift of development priority in favour of economic infrastructure to overcome energy shortages which, as highlighted earlier, are crippling the provincial economy. As to how these enhanced investments are to be financed, amendment to Article 167 of the Constitution, as part of the 18th Amendment, permits some limited borrowing by provincial governments subject to approval by the NEC. Therefore, a sensitivity analysis undertaken is to increase capital receipts in 2012-13, 2013-14 and 2014-15 by Rupees 40 billion each in the first two years and Rs 50 billion in 2014-15 by recourse to borrowing either from the domestic banking system or the capital market. Results of model simulations are given in Table 8.2.

TABLE 8.2 PROJECTIONS OF THE SIZE OF THE PROVINCIAL BUDGET WITH BORROWINGS AND CHANGED DEVELOPMENT PRIORITIES (Rs in Billion)								
	2011-12 Share		2012-13	Share (%)	2013-14	Share (%)	2014-15	Share (%)
Current Expenditure	447.2	70.5	514.6	65.5	632.2	67.8	765.2	69.9
Development Expenditure	187.2	29.5	271.2	34.5	299.7	32.2	329.5	30.1
Budget Size	634.4	100.0	785.8	100.0	931.9	100.0	1094.7	100.0
(as % of GRP)								
Current Expenditure	3.6		3.6		3.7		3.7	
Development Expenditure	1.4		1.5		1.4		1.3	
Budget Size	5.0		5.5		5.5		5.4	
Memo Item: GRP	12213.5		14410.7		17036.0		20236.7	

The resultant increase in the development expenditure of over Rs 34 billion in 2012-13, Rs.27 billion in 2013-14 and Rs.21 billion in 2014-15 will contribute to covering-up the infrastructure investment gap presented in chapter 2 and bring provincial investment closer to internationally comparable levels. This magnitude of borrowing is unlikely to overburden provincial finances as it will be within sustainable levels, particularly if it is used for commercially viable projects and taken on relatively easy terms from international sources. The debt- to-GRP ratio will increase to 2.4 by 2014-15. There is also going to be an increase in the current expenditure, largely due to enhanced debt servicing and the downstream O&M liabilities. Overall, the provincial budget size will enhance to about Rs 1095 billion by 2014-15, to 5.4 percent of the GRP.

Given the budget framework described above,Chapter 10gives the break-up of the projections in this Chapter into development allocations and current expenditure by departments of the provincial government.

CHAPTER 9

PROVINCIAL DEVELOPMENT PRIORITIES

Key Development Goals and Objectives

Punjab's long-term development vision aims at creating a literate, fully employed, healthy and culturally aware society and envisages a doubling of per capita income by 2020. The provincial development priorities are guided by this overarching vision and the development agenda articulated by the Chief Minister, as enunciated in the strategy for Accelerating Growth and Improving Service Delivery 2009-10, announced by the Government of the Punjab in June 2009. Punjab Medium Term Development Framework has been formulated in line with this vision.

The development goals and objectives of the Government of Punjab are mostly aligned with the corresponding national development goals and objectives as well as are harmonized with the development goals under international commitments. Though development goals at the national level seek to consolidate economic stability and to put economy on recovery path, development objectives at the provincial levels are aimed at enhancing the state's responsibility in the provision of basic social services to the masses.

Education

Literacy improvement is mostly pursued through development policies aiming at fostering education related MDGs in the medium term. In this perspective, a policy framework has been developed aiming at enhancing quality education at schools, improved and easy access to education facilities, and promoting good governance practices in the government institutions imparting education. The targets are to achieve universal primary education side by side with achieving full participation rates. The provision of basic and elementary education services has been devolved. The Provincial Government supports local governments through different interventions under various programs focused on improving the capacity of teachers and managers, provision of I.T./science labs and libraries and quality text books along with up-gradation of schools to next higher level and provision of missing infrastructure.

Higher education is also the responsibility of the Provincial Government. Improvement of quality education, equitable and enhanced access to higher education, up-gradation and development of higher education infrastructure are the strategic interventions for improving

higher education standards in the Province. Following the 18th Amendment, University education had been devolved to the provinces. However, Higher Education Commission (HEC) continues to operate pending the decision of the Supreme Court of Pakistan (which has stayed its devolution) and its funding continues to be the responsibility of the federal government.

Health

The Government's pro-poor strategic interventions in health sector during the past few years have been hailed by various segments of society. Provision of free medicines and modern diagnostic and treatment facilities at various medical institutions, creation of emergency services blocks at DHQ hospitals, capacity building and state of the art modern centers of excellence among others are notable interventions of the Government. Focus will also be enhanced on preventive health, particularly prevention of epidemics (to prevent outbreaks like dengue) and water supply and sanitation.

Economic Infrastructure

The Government of Punjab is also developing the economic infrastructure to foster growth in the province. Power shortages are heavily costing the economy and these shortages have to be addressed if the province has to move to a higher growth trajectory. Given the critical nature of the widespread problem of the high level of power outages, improving energy security can be considered as the ultimate litmus test of the quality of governance in the country. As identified in the energy summit, top-priority actions in the short run must include an injection of liquidity into the power sector by resolution of the circular debt problem, quick operations and maintenance of power plants in the public sector to attain a higher level of capacity utilization, diversion of more gas for electricity generation through pricing and/ or rationing, implementation of a policy of zero-tolerance of non-payment of bills by all types of consumers, tariff rationalization, except for lifeline consumption, and adoption of strong measures for energy conservation.

In the medium to long run, the emphasis will have to be on placed on expanding the installed capacity for electricity generation by allocating a substantially larger part of the federal PSDP to the power sector, importing gas from Iran and other sources and implementing a large program of investment in Thar Coal and hydel power. Pakistan's dependence on oil has to be reduced if the risks of exposure to future 'oil price shocks' and the consequences thereof are to be avoided.

The provincial government of Punjab will also be more pro-active in its contribution to the resolution of the energy problem. The province has planned investment in coal power generation plants. Efforts will also be made to overcome current constraints particularly, of accessing and developing the transmission network for electricity generated provincially. Discussions have already been initiated with the Federal Government in this regard. Besides, the strategic framework to ensure energy security should focus on the followings:

Short Term

1. Removal of any policy ambiguities to allow private sector to invest in the small and medium sized power projects
2. Rationalization of natural gas allocation by the federal government will also be on the Provincial Government agenda. The gas allocation policy should target high value addition sectors, in preference over others. Similarly, the discrimination in allocation of natural gas particularly to the province of Punjab should be immediately addressed.
3. Efficient management of water resources.
4. The LNG import project that is currently being undertaken and is scheduled for inauguration in the summer of 2012 to be expedited.
5. There should be a renewed focus on gas and oil exploration in Pakistan.
6. The policy and regulatory regime vis-à-vis federal and provincial governments should be rationalized with a focus on early approval and ease of implementation of energy projects.
7. Exploration and production of oil and gas sector to be incentivized for conventional and unconventional fossil fuel reserves in the country.
8. Estimates indicate that the country's over 80 sugar mills hold a latent power generation potential of 3000 MW. These need to be fast tracked and government support should be extended.
9. Currently, some IPPs are shut down and the federal government needs to extend its support for their revival.

Medium Term

10. Punjab has over 235 million MT of coal reserves as well as the opportunity to produce an additional 3,500 MW of electricity from Hydro-electric run-of-the-river power projects. These initiatives to be pursued on a fast track.

11. Energy from agricultural waste to be encouraged and fast tracked which can substantially add much needed MWs to the system.
12. The power infrastructure to be upgraded with a modern efficient grid, in line with the expansion in generation capacity.
13. IPI natural gas pipeline and gas from neighboring countries should be made a project of national priority to address the natural gas requirements in the medium term.

Other economic infrastructure development also will be given attention. Road densities are being improved through rehabilitation and expansion of the existing infrastructure including the inter-district network and improving the accessibility of rural areas to the highways thereby connecting them to district markets. The Provincial Government also aids the local governments in improving intra-city road infrastructure through the development portfolio being pursued in MTDF.

Similarly, the development needs in the irrigation sector have priority, which mostly revolve around ensuring sustainability of irrigation supplies, modernization of irrigation infrastructure, optimization in the use of surface and groundwater aiming at maximizing agricultural productivity, and development of the renewable energy resource base through small dams and allied technologies with specific focus on developing PPPs.

Production and services sectors' development objectives seek to enhance productivity of the relevant sectors mostly through developing sector infrastructure and capacities and competencies among the sector stakeholders thereby enabling them to effectively play a part in socio-economic development, fostering public-private partnership, market development through mitigation of market imperfections, modernization through enhanced research and development and training, enhanced accessibilities to facilities, and development and expansion of means of mass communication.

The above development priorities are reflected in the MTDF prepared for the three years 2011-12 to 2013-14. The expectation is that this will guide the annual ADP allocations.

The social sectors enjoy the highest priority in the MTDF. Their share is sustained at almost 38 percent over the period. There is clear indication of the emphasis placed by the Government of Punjab on human development and alleviation of poverty. Infrastructure allocations are also large with a share of about 32 percent. These allocations are expected

to remove the constraints to achieving higher growth in the province. The total Core Programme is expected to take up 81 to 85 percent of the resources available for development in the MTDF. Special programmes and packages account for the remainder and include the district/TMA development programme, the Lahore Ring Road, new initiatives like medical colleges, etc.

The ADP size targeted for in the Budget of 2011-12 is actually over Rs 30 billion larger than that envisaged in the first year of the MTDF. This reflects expectation of the improved resource position following the NFC Award. This will enable faster achievement of the goals and targets set by the Government, especially if there is a more rapid build up in the size of the ADP in

coming years. Detailed sectoral objectives, goals, strategies and programme are presented in Annexure A-3.

TABLE 9.1 DEVELOPMENT PRIORITIES ACCORDING TO MTDF (%)				
	2010-11 MTDF	2011-12 MTDF	2012-13 MTDF	2013-14 MTDF
A. Social Sectors	37.5	38.1	38.1	38.1
B. Infrastructure Development	32.6	31.4	31.4	31.4
C. Production Sectors	3.8	5.6	5.7	5.7
D. Services Sectors	3.8	6.3	6.2	6.3
E. Others	3.5	3.1	3.8	3.7
Total Core Programme	81.3	84.5	85.2	85.2
F. Special Programme/Packages	18.7	15.5	14.8	14.8
Total ADP	100.0	100.0	100.0	100.0
ADP Size (Rs in Billion)	182.0	188.0	199.0	211.0

Achieving the MDGs

Pakistan Millennium Development Goals Report 2010 reveals that the country is lagging behind in achieving most of the MDGs. To combat the worsening situation, however, the Federal as well as the Provincial Governments are pursuing a development paradigm to improve prospects for achieving the MDGs. The Provincial Government gives sizable weightage to MDGs by tailoring sectoral policies towards their achievement. As highlighted earlier, the social sectors, which are critical to the achievement of the MDGs, are receiving the largest allocation in the MTDF. Box9.1 indicates some mega programs/schemes that have been initiated by the Government of Punjab in order to facilitate progress towards achieving MDGs.

BOX 9.1
RELATIONSHIP BETWEEN MDGs AND PROVINCIAL SECTORAL POLICIES AND THE QUANTUM OF INVESTMENTS TO ACHIEVE MDGs

MDG Goal #	Description	Sectoral Policy Relevant to this MDG	Major Programs / Schemes/Area of Intervention	Size of Development Portfolio of 2011-12 Relevant to this MDGs (Rs. in millions)
Education Sector				
2	Achieve universal primary education	a. Ensure achievement of education related Millennium Development Goals (MDGs) by 2015 and EFA targets: -	1. Accelerated Programme for Development of School Sector (partial)	560
3	Promote gender equality and empower women	<ul style="list-style-type: none"> • Universal Primary Education • Completion of full Primary Schooling by all children • Promote Gender Equality • Ensure 100% participation rate at primary level by 2011 and participation enhancement at the Elementary & Secondary level 	2. Reconstruction of Existing School Buildings (partial)	540
			3. Upgradation of Schools to next higher levels	818
		b. Provision of high quality learning opportunities through non formal means to all illiterates and out of schools population by 2019	4. Literacy	800
Health Sector				
	Reduce child mortality rate	a. Measurable impact on Millennium Development Goals (MDGs) through major interventions in the health services delivery with significant reduction in incidence of diseases	1. Preventive and Primary Health Care (to a great extent)	693
	Improve maternal health		2. Accelerated Programme for Health Care	2221
	Combat HIV/AIDS, malaria, and other diseases	b. Focus on Preventive Health Care through inter-sectoral coordination and regular health education/promotion	3. Tertiary Care Hospitals (partial)	4378
		c. Improved primary, secondary and tertiary health care through inclusion of need-based and result-oriented schemes		
				Total Rs.20,800

Balanced Regional Development

The disparities among districts of Punjab have already been highlighted in Chapter 2 in terms of access to basic economic infrastructure and social services. The Government of Punjab is attaching special priority to achieving balanced and equitable growth with particular focus on Southern Punjab, especially the eleven backward districts including Jhang, Bhakkar, Khushab and Mianwali, and the Barani districts of Punjab. Overall, the allocation in the ADP in 2011-12 for regional planning is Rs 15.0 billion. This includes two major multi-sectoral integrated development programs – the Southern Punjab Development Program (SPDP) and the Punjab Economic Opportunity Programme (PEOP).

The strategy is for development of economic infrastructure (roads, energy, water for agriculture) through the provincial ADP in the backward regions of the province. Differentials in access to basic social services like education and health are being removed through the development programme executed through district governments in the province.

The Provincial Finance Commission (PFC) is focusing through its awards on the horizontal distribution of current and development grants on fiscal equalization among the districts of Punjab. The last award by the PFC of Punjab was in 2006 for a period of three years. It has been extended till such time the new local Government Act becomes operative.

The net proceeds of the Provincial Consolidated Fund are distributed between the Provincial Retained Amount and Provincial Allocable Amount. The latter has a share of 41.9 percent and is the amount allocated to local governments along with the revenues from the 2.5 percent GST in 2009-10. Within local governments, the share of City District and District Governments is 83.81 percent, while the shares of Tehsil/Town Administrations and Union Administrations are 12.50 and 3.69 percent respectively.

There are four types of grants as follows:

- I. General purpose grant to remove any shortfall in base current expenditure, with a share of 71.2 percent
- II. Equalization grant to remove any shortfall in base current expenditures, with a share of 9.3 percent.

- III. Development grant to meet development needs, with a share of 11.3 percent.
- IV. Tied grant to provide additional finances to social sectors under protocols agreed with donors, with share of 8.2 percent.

The share of each type of local government in each type of grant is pre-specified. The distribution of each type of grant among district governments is formula driven as follows:

Type of Grant	Criteria
• General Purpose Grant	• Population
• Equalization Grant	• Fiscal Gap between baseline expenditure and shares under General Purpose Grant
• Development Grant	• The Balance amount of grant after equalization will be distributed on the basis of population
	• 50 percent: on the basis of the Underdevelopment Index
	• 50 percent: Population of District
• Tied Grant	I. Education : Population, 60 percent; Performance, 40 percent
	II. Health: Population, 70 percent; 30 percent (based on MICS)

Distribution among TMAs is primarily on the basis of population, with some weightage for urban population.

Therefore fiscal equalization is being attempted primarily through development grants to district governments. The development grant gives a 50 percent weightage to the underdevelopment index of a district. As such, the more backward districts are likely to receive larger per capita development grants.

The 18th Amendment

The 18th Amendment to the Constitution brought a fundamental change in the structure of the Constitution through the abolition of the Concurrent List. By virtue of this amendment, 47 subjects of the Concurrent List have been abolished. Abolition of Concurrent List from the Constitution was a longstanding demand of provinces. Its deletion put end to duality of control / responsibility over these functions in addition to empowering Provinces through delegation of more authority. By enlarging the functions listed in Part-II of Federal Legislative List, the 18th Amendment also increased the role of Council of Common Interests, wherein provincial representatives hold a majority. Overall, following the 18th Amendment, there is undoubtedly a more rational and balanced distribution of functions

between the federal and provincial governments, leading thereby to greater empowerment of the provinces.

However, transfer of functions to the provinces has financial implications. On the development side, 114 projects were being implemented at the federal level by the now devolved Ministries/Divisions in Punjab. Out of these, 52 projects were classified as location-specific projects whereas 62 vertical projects were also under implementation. Financial Implications of these projects are reflected in Table 9.2. The total throwforward of these schemes beyond June 2011 was over 131 billion.

TABLE 9.2 Development Expenditure Implications of the Potentially Devolvable Schemes <i>(Rs. in millions)</i>				
Category of Project	Number	Cost	Expenditure	Throw Forward Beyond June 2011
Transferred to Province (location basis)	52	33,500	11,062	19,222
Vertical Projects / Programs	62	256,904	45,992	112,083
Total	114	290,404	57,054	131,306

The future implementation of the projects listed above was discussed in Planning Division. Punjab Government was represented by the Planning and Development Department and representatives of concerned line Departments. Based on the discussions, 77 projects have been taken over by the Provincial Government. Table 9.3 shows the financial implication of these projects.

TABLE 9.3 Revised Development Expenditure on Developed Schemes <i>(Rs. in millions)</i>				
Category of Project	Number	Cost	Expenditure	Throw Forward Beyond June 2011
Transferred to Province (location basis)	47	34,99	13,455	19,992
Vertical Projects / Programs (Punjab's Share)	30	63,482	31,269	30,075
Total	77	98,473	44,724	50,068

Out of the total number of 47 projects transferred to Punjab (on location basis), 32 projects with a throw forward of Rs.13.9 billion were considered for adoption by Punjab Government.

This list includes 2 projects i.e. Population Welfare Program Punjab and Capacity Building of Teachers Training Institutions and Training of Elementary School Teachers in Punjab which was shifted to the portfolio of Vertical Projects to be financed by the Federal Government as per the decision of Council of Common Interests held on 28.04.2011.

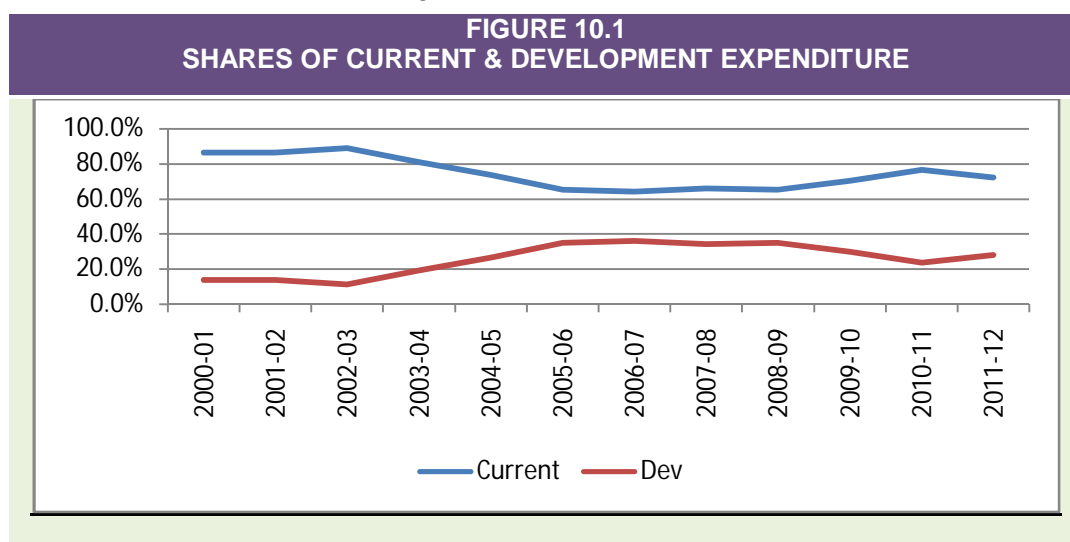
The Federal Government will provide funding for vertical programs in Health. After deducting the financial implication of these two projects, the throw forward of the remaining 30 projects works out to Rs.3.0 billion; whereas the throw forward of 32 vertical projects increases to Rs. 41billion. Punjab Government has made an allocation of Rs.589 million for the 30 projects in its Annual Development Program in 2011-12. In addition, the Provincial government has made provision for the recurring expenditure implications of the functions transferred under the 18th Amendment. It is expected that the next NFC Award will make adequate provisions for the effective discharge of the additional functions by the Provincial governments.

CHAPTER 10

PROVINCIAL EXPENDITURE

Overview of Expenditure

The expenditure trends of the Punjab Government over the last 11 years have been discussed in chapter 4. During the FY 2011-12, it is expected that the total expenditure of the Government would be Rs.616.4 billion including development expenditure of Rs.171.8 billion. Thus during the 12 year period i.e. from FY 2000-01 to 2011-12, the total expenditure of the Government has increased from Rs.107.9 billion to Rs 616.4 billion. The trend in shares of current and development expenditure in total expenditure in this period is presented in Figure 10.1. This period can be divided into three distinct phases. From 2000-01 to 2002-03 the Government was, on average, spending only 13 percent on development and remaining 87 percent was recurring in nature. From 2003-04 to 2005-06, the Government was able to raise the share of development expenditure which reached its peak at 36 percent. The last phase i.e. from 2009-10 to 2010-11 is marked by gradual decrease in the share of development expenditure which touched its lowest level at 23.7% during the last financial year as the government had to counter high growth in current expenditure due to salary growth, provide for damage caused by floods in the province and tried to recover from its cash balance worries at a time of economic slowdown. However, as a result of government's efforts to stabilize its cash balance, the spending on development expenditure is expected to be much better during FY 2011-12. The government expects that despite a significant expected shortfall in Divisible Pool Transfers, it will be able to spend around Rs. 172.0 billion on development which would be the highest nominal amount spent on development in the history of the province. This trend would be in line with the fiscal devolution envisaged in 7th NFC Award.



While it is extremely important to run and properly maintain existing public facilities, it is also desirable for a Government to be able to produce new public facilities/goods in accordance with public needs and priorities. The following section provides a slightly more detailed overview of the current expenditure before embarking on computation of department wise ceilings for current and development expenditure.

Analysis of Current Expenditure

Major components of the current expenditure of the Government are presented in Table 10.1 below:

A comparison of the last year's expenditure with the budget estimates 2011-12 highlights the following important points:

- I. The Federal Government again allowed generous increase in pay and pension to employees. Consequently, the Government had to allow following benefits to civil servants with effect from 1.07.2011:

Pay Increase

- i. Basic Pay Scales 2008 were replaced with Basic Pay Scales 2011, whereas five Ad-hoc allowances (granted from 1999 to 2009) were discontinued. The Basic Pay Scales 2011 were significantly higher than the sum of old pay scales and the Ad-hoc allowances discontinued by the Government. Resultantly, all civil servants received a notable raise in their salary. This increase is comparatively higher (in percentage terms) for those employees who joined civil service after 1999 as they were not receiving one or more of the discontinued Ad-hoc Allowances; but, benefited from the new pay scales designed to compensate for discontinuation of all five Ad-hoc Reliefs / Allowances. In addition, all employees got additional benefit as a result of pay fixation in new scales;
- ii. Ad-hoc Relief Allowance – 2011 @ 15% of the running basic pay of the Basic Pay Scales 2008;
- iii. The rate of Conveyance Allowance for all civil servants in BS-1 to BS-15 was increased and the allowance was granted to all civil servants. Earlier this benefit was only allowed to employees in 09 big cities of Punjab;

**TABLE 10.1
CURRENT EXPENDITURE**

(Rs. in million)

Function	Actual 2010-11	Budget Estimates 2011-12
01 - General Public Service	209,603.583	245,735.165
011 - Executive & legislative organs, financial	62,036.583	71,417.251
014 - Transfers	145,720.282	172,730.162
015 - General Services	1,845.117	1,585.899
019 - Gen. public services not elsewhere define	1.600	1.853
03 - Public Order and Safety Affairs	63,144.220	69,244.576
031 - Law Courts	6,257.805	8,253.714
032 - Police	51,140.184	52,788.270
033 - Fire protection	39.023	45.965
034 - Prison administration and operation	3,916.742	4,143.587
036 - Administration of Public Order	1,790.466	4,013.040
04 - Economic Affairs	38,343.503	61,600.671
041 - Gen. economic, commercial & labor affairs	226.225	426.662
042 - Agri, Food, Irrigation, Forestry & Fishing	26,623.291	49,839.774
044 - Mining and Manufacturing	5,955.322	6,322.541
045 - Construction and Transport	5,521.374	5,011.694
047 - Other industries	17.292	-
05 - Environment Protection	72.425	58.251
053 - Pollution Abatement	72.425	58.251
06 - Housing and Community Amenities	1,901.171	2,639.981
061 - Housing development	242.884	303.852
062 - Community Development	371.227	343.091
063 - Water supply	1,287.060	1,993.038
07 - Health	19,709.191	25,484.686
073 - Hospital Services	18,433.548	23,535.538
074 - Public Health Services	85.086	111.995
076 - Health Administration	1,190.558	1,837.153
08 - Recreational, Culture and Religion	866.710	1,022.538
081 - Recreational and Sporting Services	155.225	123.170
082 - Cultural Services	246.902	202.202
083 - Broadcasting and Publishing	341.107	504.367
084 - Religious affairs	93.474	151.827
086 - Admin. of Info., Recreation & culture	30.001	40.972
09 - Education Affairs and Services	26,200.604	27,141.130
091 - Pre.& primary education affair & service	642.105	808.876
092 - Secondary education affairs and services	9,924.403	9,998.527
093 - Tertiary education affairs and services	12,730.052	13,082.686
094 - Education services non-definable by level	124.594	315.177
095 - Subsidiary services to education	308.195	185.512
096 - Administration	-	-
097 - Education affairs , services not elsewhere	2,471.255	2,750.352
10 - Social Protection	10,251.453	1,822.820
107 - Administration	9,911.333	1,435.371
108 - Others	340.119	387.449
GRAND TOTAL	370,092.861	434,749.818

Pension Increase

- i. 15% increase in net pension was allowed to pensioners who retired on or after 1.7.2002; whereas 20% increase in net pension was allowed to pensioners who retired on or before 30.06.2002.

The way announcement for pay revision was made at the time of presentation of Federal Budget; it was difficult to comprehend the exact impact of pay revision. After consultation with Ministry of Finance and in the light of available information the impact of Pay Revision 2011 was estimated at approximately Rs.15.0 billion by the Finance Department. The actual features of pay revision, as they came out after notification by Federal Government, had much higher financial implication for Punjab Government. Accordingly, the impact of pay increase is estimated to be Rs.25.0 billion during FY 2011-12. Resultantly, the current expenditure of the Government is expected to be higher than the budget estimates.

- II. The pension liability of the Government is rising due to increase in number of pensioners and increases in rate allowed by the Government. During the financial year 2010-11, the actual expenditure on pension was Rs. 36.4 billion as compared to Rs.40.5 billion budgeted for financial year 2011-12;
- III. The size of 'Transfers', which mainly comprises transfers from Provincial Government to Local Governments under PFC Award have been estimated at the level of Rs.172.7 billion for FY 2011-12 as compared to an actual expenditure of Rs.145.7 billion during last financial year;
- IV. The allocation for 'Economic Affairs' is significantly higher in 2011-12 compared to 2010-11 on account of higher allocation for subsidies as compared to actual expenditure during the last financial year;
- V. Government allowed a growth of almost 31% in budget allocation for utilities in the budget for 2011-12 as compared to last year's actual expenditure to enable Government departments to meet higher cost of utilities as result of numerous revision in their rates in the last couple of years;
- VI. Significantly higher allocation has been made for Health Sector in the current budget for 2011-12 especially to provide for the new pay package allowed by the Government to doctors.

- VII. The 'Interest' liability of the Government is expected to be significantly lower as compared to actual expenditure on this head during the last financial year. The budget allocation for interest payment during FY 2011-12 is Rs.18.7 billion as compared to actual expenditure of Rs.21.3 billion during FY 2010-11;

Table 10.3 shows a comparative analysis of object wise expenditure in 2010-11 and budget estimates 2011-12 of the non-development budget. The table corroborates the points highlighted earlier. The comparison shows that there has been a significant increase in 2011-12 for the objects such as Pay, Allowances, Pension and Grants to Local Governments etc. The objects relating to Operational Expenditure have registered either very little increase or a decrease in the allocations for 2011-12 compared to last year's actual expenditure. For example, the allocation in budget 2011-12 for objects relating to maintenance and repair is lower than actual expenditure during 2010-11. The comparison clearly reflects the resolve of the government to cut down current expenditure to provide maximum resources for development.

In the previous MTFFs, the following pillars of expenditure management strategy were highlighted:

- I. A comprehensive Expenditure Review of the province
- II. Using Public Private Partnership framework where infrastructure projects would be financed through viable PPP agreements between the private sector and the government mitigating the immediate burden on government budgetary resources.
- III. Real capitalization of the Pension and GP Funds to save on the future Pension and GP Fund liabilities under a properly designed funding strategy.

Unfortunately, the expenditure review of the government could not be carried out during the last financial year. Finance Department would again argue for a holistic expenditure review exercise to examine the areas that have contributed to the growing size of the establishment and to examine the programs / projects with respect to expenditure and desired outcomes. The efforts to utilize public private-partnership framework are reaching a point where they can be expected to bear fruit by providing resources for infrastructure development in the province. In this regard, necessary institutional framework has been laid down. A fully functional PPP unit is available in the Planning and Development Department. A counterpart Risk Management Unit has also been established in the Finance Department. The Government is also continuing with its strategy of capitalization of Pension and GP Funds in a bid to eventually make these expenditures off budget items but the effort has

been adversely affected by stoppage of program loans by donors in the wake of problems the Federal Government is facing vis-à-vis IMF program.

TABLE 10.2 OBJECT WISE COMPARISON OF ACTUAL EXPENDITURE 2010-11 AND BUDGET ESTIMATES 2011-12 (Rs. in millions)				
Row Labels	Actual 2010-11	BE 2011-12	Absolute Change	% Change
A011 - Pay	35,648.366	44,750.206	9,101.840	25.5%
A012 - Allowances	64,423.788	79,126.938	14,703.150	22.8%
A022 - Research, Surveys and Exploratory Operations	6.974	10.451	3.477	49.9%
A031 - Fees	9.379	1.552	(7.827)	-83.5%
A032 - Communication	600.153	743.228	143.075	23.8%
A033 - Utilities	3,257.650	4,265.137	1,007.487	30.9%
A034 - Occupancy Costs	356.284	387.770	31.486	8.8%
A036 - Motor Vehicles	0.642	2.534	1.892	294.9%
A037 - Consultancy and Contractual Work	0.558	0.276	(0.282)	-50.5%
A038 - Travel & Transportation	6,652.504	7,436.577	784.073	11.8%
A039 - General	13,924.580	17,988.050	4,063.470	29.2%
A041 - Pension	36,416.861	40,535.247	4,118.386	11.3%
A051 - Subsidies	9,749.769	30,000.000	20,250.231	207.7%
A052 - Grants Domestic	160,008.495	180,054.171	20,045.676	12.5%
A061 - Scholarships, Bonuses and Other Awards	1,312.629	1,672.676	360.047	27.4%
A062 - Technical Assistance	22.100	21.412	(0.688)	-3.1%
A063 - Entertainments and Gifts	193.483	149.130	(44.353)	-22.9%
A064 - Other Transfer Payments	817.106	641.793	(175.313)	-21.5%
A065 - Public Private Partnership	4,500.000	-	(4,500.000)	-100.0%
A071 - Interest - Domestic	21,256.951	14,981.834	(6,275.117)	-29.5%
A072 - Interest - Foreign	-	3,885.461	3,885.461	0.0%
A073 - Others	0.000	0.003	0.003	1288.9%
A081 - Advances to Government Servants	-	0.010	0.010	0.0%
A091 - Purchase of Building	2.495	-	(2.495)	-100.0%
A092 - Computer Equipment	17.339	39.210	21.871	126.1%
A093 - Commodity Purchases (Cost of State Trading)	846.166	14.966	(831.200)	-98.2%
A094 - Other Stores and Stocks	82.216	16.615	(65.601)	-79.8%
A095 - Purchase of Transport	366.581	757.678	391.097	106.7%
A096 - Purchase of Plant & Machinery	622.480	112.180	(510.300)	-82.0%
A097 - Purchase of Furniture & Fixture	28.657	30.651	1.994	7.0%
A098 - Purchase of Other Assets	95.571	5.794	(89.777)	-93.9%
A111 - Investment - Domestic	-	12.172	12.172	0.0%
A121 - Roads, Highways and Bridges	18.465	-	(18.465)	-100.0%
A123 - Embankments and Drainage Works	0.135	0.420	0.285	212.2%
A124 - Building and Structures	30.838	3.967	(26.871)	-87.1%
A130 - Transport	864.507	681.783	(182.724)	-21.1%
A131 - Machinery and Equipment	334.781	369.269	34.488	10.3%
A132 - Furniture and Fixture (R&M)	72.012	90.574	18.562	25.8%
A133 - Buildings and Structure	1,593.124	1,075.273	(517.851)	-32.5%
A134 - Irrigation	1,701.846	1,989.887	288.041	16.9%
A135 - Embankment and Drainage	2,246.052	730.250	(1,515.802)	-67.5%
A136 - Roads, Highways and Bridges	2,032.701	1,985.026	(47.675)	-2.3%
A137 - Computer Equipment	9.394	18.286	8.892	94.7%
A138 - General	0.924	1.389	0.465	50.3%
A139 - Telecommunication Works	-	0.472	0.472	
A142 - P.W. Suspense	(31.692)	159.500	191.192	-603.3%
Grand Total	370,092.861	434,749.818	64,656.957	17.5%

Expenditure Ceilings

In the past few years, the government has been giving regular increases in salary / allowances to its employees in order to save them from the impact of inflation. As described above, during 2011-12, the government allowed significant increase in basic pay and allowances of its employees. In the next three financial years, the government would be focusing more resources towards socio-economic development of the province. Therefore, the expenditure ceilings for 2012-13, 2013-14 and 2014-15 have been developed broadly on the basis of the priorities in the previous MTFF and MTDF. In addition, the following assumptions have been made:

- I. The salary expenditure of the government is expected to grow at 15% in 2012-13 and 20% thereafter. The growth will cover impact of normal increment, pay increases and newly created posts due to expansion in existing offices and creation of new facilities from the development budget and the 18th Amendment ;
- II. In the past few years, government has been suppressing its non-salary items of the budget to reduce its current expenditures. Lesser investment on these items results into poor service delivery by government departments. The MTFF has been prepared after allowing for the downstream impact for development expenditure on O & M liabilities of completed projects. Therefore, the MTFF has been prepared by allowing an increase of 20% per annum in the non-salary part of the projections;
- III. In accordance with the priority assigned to Health and education sectors, a growth rate of 25% has been allowed to their non-salary allocations for FY 2013-14 and 2014-15;
- IV. The government, through the MTFF, targets to maintain share of its development expenditure approximately between 30%-32% despite increasing recurrent liability as a result of development spending;
- V. The allocation for 'Pension' and 'Interest' has been made keeping in view the actual need for the next three years;
- VI. Keeping in view increasing expenditure needs of local government, a growth rate of approximately 20% for 2012-13 and 23% for the subsequent years have been allowed to 'Transfers to Local Governments'

Detailed expenditure ceilings for all departments for 2012-13, 2013-14 and 2014-15 for both current & development budgets are presented in separate table below. It may be added that the ceilings for development budget have been developed using the priorities in ADP 2011-12.

TABLE 10.3
CURRENT EXPENDITURE CEILINGS FOR ALL DEPARTMENTS

Department	BUDGET ESTIMATES 2011-12			BUDGET ESTIMATES 2012-13		
	Salary	Non Salary	Grand Total	Salary	Non Salary	Grand Total
P50 - Agriculture	3,665,507,562	1,377,679,000	5,043,186,562	4,233,661,234	1,653,214,800	5,886,876,034
PC21010-GENERAL ADMINISTRATION	58,500,455	15,820,000	74,320,455	67,568,026	18,984,000	86,552,026
PC21018-AGRICULTURE	3,607,007,107	1,361,859,000	4,968,866,107	4,166,093,209	1,634,230,800	5,800,324,009
P51 - C.M. Secretariat	236,795,195	43,532,000	280,327,195	273,498,450	52,238,400	325,736,850
PC21010-GENERAL ADMINISTRATION	236,795,195	43,532,000	280,327,195	273,498,450	52,238,400	325,736,850
P52 - Chief Ministers Inspection Team	42,500,024	10,595,000	53,095,024	49,087,528	12,714,000	61,801,528
PC21010-GENERAL ADMINISTRATION	42,500,024	10,595,000	53,095,024	49,087,528	12,714,000	61,801,528
P54 - Communication and Works	2,368,049,040	2,826,014,000	5,194,063,040	2,735,096,641	3,391,216,800	6,126,313,441
PC21010-GENERAL ADMINISTRATION	71,978,724	12,327,000	84,305,724	83,135,426	14,792,400	97,927,826
PC21024-CIVIL WORKS	1,062,941,716	654,270,000	1,717,211,716	1,227,697,682	785,124,000	2,012,821,682
PC21025-COMMUNICATIONS	1,233,128,600	2,085,417,000	3,318,545,600	1,424,263,533	2,502,500,400	3,926,763,933
PC24024-CIVIL WORKS		74,000,000	74,000,000	-	88,800,000	88,800,000
P56 - Cooperatives	122,973,898	16,243,000	139,216,898	142,034,852	19,491,600	161,526,452
PC21010-GENERAL ADMINISTRATION	12,752,223	3,040,000	15,792,223	14,728,818	3,648,000	18,376,818
PC21021-CO-OPERATION	110,221,675	13,203,000	123,424,675	127,306,035	15,843,600	143,149,635
P57 - Education	18,861,613,673	7,615,138,000	26,476,751,673	21,785,163,792	9,138,165,600	30,923,329,392
PC21010-GENERAL ADMINISTRATION	153,832,928	42,906,000	196,738,928	177,677,032	51,487,200	229,164,232
PC21015-EDUCATION	18,707,780,745	7,572,232,000	26,280,012,745	21,607,486,760	9,086,678,400	30,694,165,160
P58 - Environment Protection	65,394,719	11,796,000	77,190,719	75,530,900	14,155,200	89,686,100
PC21010-GENERAL ADMINISTRATION	12,888,357	3,300,000	16,188,357	14,886,052	3,960,000	18,846,052
PC21017-PUBLIC HEALTH	52,506,362	8,496,000	61,002,362	60,644,848	10,195,200	70,840,048
P59 - Excise&Taxation	123,822,359	254,778,000	378,600,359	143,014,825	305,733,600	448,748,425
PC21001-OPIUM	4,496,626	173,000	4,669,626	5,193,603	207,600	5,401,203

PC21003-PROVINCIAL EXCISE	30,584,652	26,019,000	56,603,652	35,325,273	31,222,800	66,548,073
PC21007-CHRGES ON ACCOUNT OF MOTOR VEHICLES	17,609,761	1,589,000	19,198,761	20,339,274	1,906,800	22,246,074
ACTS						
PC21008-OTHER TAXES AND DUTIES	38,591,200	220,435,000	259,026,200	44,572,836	264,522,000	309,094,836
PC21010-GENERAL ADMINISTRATION	32,540,120	6,562,000	39,102,120	37,583,839	7,874,400	45,458,239
P60 - Finance	6,799,633,439	234,928,297,000	241,727,930,439	7,853,576,622	269,176,686,070	277,030,262,692
PC21010-GENERAL ADMINISTRATION	6,569,184,807	122,105,000	6,691,289,807	7,587,408,452	167,605,220	7,755,013,672
PC21028-PENSIONS (INCLUDING PENSION FUND CONTRIBUTION)		-	43,496,215,000	43,496,215,000	-	47,000,000,000
PC21031-MISCELLANEOUS	230,448,632	172,442,679,000	172,673,127,632	266,168,170	206,109,080,850	206,375,249,020
PC24044-INTEREST ON DEBT AND OTHER OBLIGATIONS		-	18,867,298,000	18,867,298,000	-	15,900,000,000
P61 - Food	41,692,721	30,009,277,000	30,050,969,721	48,155,093	30,011,132,400	30,059,287,493
PC21010-GENERAL ADMINISTRATION	41,692,721	9,277,000	50,969,721	48,155,093	11,132,400	59,287,493
PC21030-SUBSIDIES	-	30,000,000,000	30,000,000,000	-	30,000,000,000	30,000,000,000
P62 - Forestry Wildlife & Fisheries	1,742,668,778	591,375,000	2,334,043,778	2,012,782,439	709,650,000	2,722,432,439
PC21005-FORESTS	1,067,456,282	459,301,000	1,526,757,282	1,232,912,006	551,161,200	1,784,073,206
PC21010-GENERAL ADMINISTRATION	26,883,721	7,404,000	34,287,721	31,050,698	8,884,800	39,935,498
PC21019-FISHERIES	310,838,082	44,735,000	355,573,082	359,017,985	53,682,000	412,699,985
PC21023-MISCELLANEOUS DEPARTMENTS	337,490,693	79,935,000	417,425,693	389,801,750	95,922,000	485,723,750
P63 - Governors Secretariat	124,842,831	41,889,000	166,731,831	144,193,470	50,266,800	194,460,270
PC24010-GENERAL ADMINISTRATION	124,842,831	41,889,000	166,731,831	144,193,470	50,266,800	194,460,270
P64 - Health	14,891,838,315	12,451,666,000	27,343,504,315	17,200,073,254	14,941,999,200	32,142,072,454
PC21010-GENERAL ADMINISTRATION	130,618,478	36,501,000	167,119,478	150,864,342	43,801,200	194,665,542
PC21016-HEALTH SERVICES	14,761,219,837	12,415,165,000	27,176,384,837	17,049,208,912	14,898,198,000	31,947,406,912
P65 - Home	52,792,824,309	10,273,265,000	63,066,089,309	60,975,712,077	12,327,918,000	73,303,630,077
PC21010-GENERAL ADMINISTRATION	1,995,262,843	268,862,000	2,264,124,843	2,304,528,584	322,634,400	2,627,162,984
PC21012-JAILS AND CONVICT SETTLEMENTS	2,402,123,563	1,792,479,000	4,194,602,563	2,774,452,715	2,150,974,800	4,925,427,515
PC21013-POLICE	46,705,550,919	7,858,630,000	54,564,180,919	53,944,911,311	9,430,356,000	63,375,267,311
PC21031-MISCELLANEOUS	1,646,578,602	348,368,000	1,994,946,602	1,901,798,285	418,041,600	2,319,839,885
PC21032-CIVIL DEFENCE	43,308,382	4,926,000	48,234,382	50,021,181	5,911,200	55,932,381
P66 - Housing Urban Development Public HlthEng	1,059,638,633	1,343,921,000	2,403,559,633	1,223,882,621	1,612,705,200	2,836,587,821

PC21010-GENERAL ADMINISTRATION	41,183,012	13,288,000	54,471,012	47,566,379	15,945,600	63,511,979
PC21017-PUBLIC HEALTH	793,767,862	1,307,521,000	2,101,288,862	916,801,881	1,569,025,200	2,485,827,081
PC21024-CIVIL WORKS	-	-	-	-	-	-
PC21026-HOUSING AND PHYSICAL PLANNING	224,687,759	23,112,000	247,799,759	259,514,362	27,734,400	287,248,762
P67 - Industries and Mineral Development	3,331,838,104	3,184,265,000	6,516,103,104	3,848,273,010	3,821,118,000	7,669,391,010
PC21010-GENERAL ADMINISTRATION	152,192,995	86,535,000	238,727,995	175,782,909	103,842,000	279,624,909
PC21022-INDUSTRIES	3,107,529,197	3,038,097,000	6,145,626,197	3,589,196,223	3,645,716,400	7,234,912,623
PC21029-STATIONERY AND PRINTING	72,115,912	59,633,000	131,748,912	83,293,878	71,559,600	154,853,478
P68 - Information Technology	-	-	-	-	-	-
PC21010-GENERAL ADMINISTRATION	-	-	-	-	-	-
P69 - Information Culture and Youth Affairs	590,830,854	232,592,000	823,422,854	682,409,636	279,110,400	961,520,036
PC21010-GENERAL ADMINISTRATION	25,753,497	16,568,000	42,321,497	29,745,289	19,881,600	49,626,889
PC21014-MUSEUMS	35,579,379	14,953,000	50,532,379	41,094,183	17,943,600	59,037,783
PC21023-MISCELLANEOUS DEPARTMENTS	529,497,978	201,071,000	730,568,978	611,570,165	241,285,200	852,855,365
P70 - Irrigation and Power	6,738,952,738	3,446,387,000	10,185,339,738	7,783,490,412	4,135,664,400	11,919,154,812
PC21008-OTHER TAXES AND DUTIES	95,477,049	20,158,000	115,635,049	110,275,992	24,189,600	134,465,592
PC21009-IRRIGATION AND LAND RECLAMATION	6,573,827,064	3,405,222,000	9,979,049,064	7,592,770,259	4,086,266,400	11,679,036,659
PC21010-GENERAL ADMINISTRATION	69,648,625	21,007,000	90,655,625	80,444,162	25,208,400	105,652,562
PC21024-CIVIL WORKS	-	-	-	-	-	-
P71 - Labour and Human Resource	167,100,137	34,414,000	201,514,137	193,000,658	41,296,800	234,297,458
PC21010-GENERAL ADMINISTRATION	19,251,805	5,650,000	24,901,805	22,235,835	6,780,000	29,015,835
PC21023-MISCELLANEOUS DEPARTMENTS	147,848,332	28,764,000	176,612,332	170,764,823	34,516,800	205,281,623
P72 - Law and Parliamentary Affairs	727,658,707	172,524,000	900,182,707	840,445,807	207,028,800	1,047,474,607
PC21010-GENERAL ADMINISTRATION	110,118,256	102,167,000	212,285,256	127,186,586	122,600,400	249,786,986
PC21011-ADMINISTRATION OF JUSTICE	617,540,451	70,357,000	687,897,451	713,259,221	84,428,400	797,687,621
P73 - Literacy and Non-formal Basic Education	18,907,778	3,393,000	22,300,778	21,838,484	4,071,600	25,910,084
PC21010-GENERAL ADMINISTRATION	18,907,778	3,393,000	22,300,778	21,838,484	4,071,600	25,910,084
P74 - Livestock and Dairy Development	1,215,667,636	1,229,410,000	2,445,077,636	1,404,096,120	1,475,292,000	2,879,388,120
PC21010-GENERAL ADMINISTRATION	23,704,108	4,762,000	28,466,108	27,378,245	5,714,400	33,092,645

PC21020-VETERINARY	1,191,963,528	1,224,648,000	2,416,611,528	1,376,717,875	1,469,577,600	2,846,295,475
P75 - Local Government and Rural Development	438,595,647	71,684,000	510,279,647	506,577,972	86,020,800	592,598,772
PC21010-GENERAL ADMINISTRATION	96,112,338	36,014,000	132,126,338	111,009,750	43,216,800	154,226,550
PC21031-MISCELLANEOUS	342,483,309	35,670,000	378,153,309	395,568,222	42,804,000	438,372,222
P76 - Management and Professional Development	47,231,981	112,773,000	160,004,981	54,552,938	135,327,600	189,880,538
PC21010-GENERAL ADMINISTRATION	47,231,981	112,773,000	160,004,981	54,552,938	135,327,600	189,880,538
P77 - Mines and Minerals	164,906,172	65,112,000	230,018,172	190,466,628	78,134,400	268,601,028
PC21022-INDUSTRIES	164,906,172	65,112,000	230,018,172	190,466,628	78,134,400	268,601,028
P78 - Planning and Development	325,543,663	52,642,000	378,185,663	376,002,930	63,170,400	439,173,330
PC21010-GENERAL ADMINISTRATION	167,731,205	26,923,000	194,654,205	193,729,542	32,307,600	226,037,142
PC21023-MISCELLANEOUS DEPARTMENTS	110,854,854	10,650,000	121,504,854	128,037,356	12,780,000	140,817,356
PC21031-MISCELLANEOUS	46,957,604	15,069,000	62,026,604	54,236,032	18,082,800	72,318,832
P79 - Population Welfare	35,104,494	13,945,000	49,049,494	40,545,691	16,734,000	57,279,691
PC21010-GENERAL ADMINISTRATION	35,104,494	13,945,000	49,049,494	40,545,691	16,734,000	57,279,691
P80 - Provincial Assembly	566,110,494	318,506,000	884,616,494	653,857,620	382,207,200	1,036,064,820
PC21010-GENERAL ADMINISTRATION	237,051,633	176,367,000	413,418,633	273,794,636	211,640,400	485,435,036
PC24010-GENERAL ADMINISTRATION	329,058,861	142,139,000	471,197,861	380,062,984	170,566,800	550,629,784
P81 - Relief	25,675,405	41,427,000	67,102,405	29,655,093	49,712,400	79,367,493
PC21027-RELIEF	25,675,405	41,427,000	67,102,405	29,655,093	49,712,400	79,367,493
P82 - Religious Affairs and AuqafDept	19,730,910	9,045,000	28,775,910	22,789,201	10,854,000	33,643,201
PC21010-GENERAL ADMINISTRATION	19,730,910	9,045,000	28,775,910	22,789,201	10,854,000	33,643,201
P83 - Revenue	4,596,977,064	740,162,000	5,337,139,064	5,309,508,509	888,194,400	6,197,702,909
PC21002-LAND REVENUE	2,017,960,197	54,936,000	2,072,896,197	2,330,744,027	65,923,200	2,396,667,227
PC21004-STAMPS	9,602,158	167,125,000	176,727,158	11,090,493	200,550,000	211,640,493
PC21006-REGISTRATION	39,351,014	2,374,000	41,725,014	45,450,421	2,848,800	48,299,221
PC21009-IRRIGATION AND LAND RECLAMATION	2,407,135	122,000	2,529,135	2,780,241	146,400	2,926,641
PC21010-GENERAL ADMINISTRATION	2,500,726,405	509,252,000	3,009,978,405	2,888,338,998	611,102,400	3,499,441,398
PC21029-STATIONERY AND PRINTING	-	5,389,000	5,389,000	-	6,466,800	6,466,800
PC21031-MISCELLANEOUS	26,930,155	964,000	27,894,155	31,104,328	1,156,800	32,261,128

P84 - Services and General Administration	8,034,775,548	1,976,446,000	10,011,221,548	9,280,165,758	2,371,735,200	11,651,900,958
PC21010-GENERAL ADMINISTRATION	1,553,711,306	599,891,000	2,153,602,306	1,794,536,558	719,869,200	2,514,405,758
PC21011-ADMINISTRATION OF JUSTICE	5,190,130,629	1,168,416,000	6,358,546,629	5,994,600,876	1,402,099,200	7,396,700,076
PC21031-MISCELLANEOUS	6,969,189	45,006,000	51,975,189	8,049,414	54,007,200	62,056,614
PC24011-ADMINISTRATION OF JUSTICE	1,282,275,947	163,133,000	1,445,408,947	1,481,028,719	195,759,600	1,676,788,319
PC24045-PRIVY PURSES	1,688,477		1,688,477	1,950,191	-	1,950,191
P85 - Social Welfare (W)Developmnt&Baitul Mal	217,155,041	220,985,000	438,140,041	250,814,072	265,182,000	515,996,072
PC21010-GENERAL ADMINISTRATION	11,256,866	4,301,000	15,557,866	13,001,680	5,161,200	18,162,880
PC21031-MISCELLANEOUS	205,898,175	216,684,000	422,582,175	237,812,392	260,020,800	497,833,192
P86 - Special Education	288,484,756	41,809,000	330,293,756	333,199,893	50,170,800	383,370,693
PC21010-GENERAL ADMINISTRATION	17,154,927	4,105,000	21,259,927	19,813,941	4,926,000	24,739,941
PC21015-EDUCATION	271,329,829	37,704,000	309,033,829	313,385,952	45,244,800	358,630,752
P87 - Sports	73,925,749	32,653,000	106,578,749	85,384,240	39,183,600	124,567,840
PC21010-GENERAL ADMINISTRATION	73,925,749	32,653,000	106,578,749	85,384,240	39,183,600	124,567,840
P88 - Transport	27,773,338	15,869,000	43,642,338	32,078,206	19,042,800	51,121,006
PC21007-CHRGES ON ACCOUNT OF MOTOR VEHICLES ACTS	10,036,941	10,424,000	20,460,941	11,592,667	12,508,800	24,101,467
PC21010-GENERAL ADMINISTRATION	17,736,397	5,445,000	23,181,397	20,485,539	6,534,000	27,019,539
P89 - Zakat and Ushr	114,341,559	33,865,000	148,206,559	132,064,501	40,638,000	172,702,501
PC21010-GENERAL ADMINISTRATION	13,126,854	5,691,000	18,817,854	15,161,516	6,829,200	21,990,716
PC21031-MISCELLANEOUS	101,214,705	28,174,000	129,388,705	116,902,984	33,808,800	150,711,784
P91 - Commerce & Investment Department	-	21,823,000	21,823,000	-	26,187,600	26,187,600
PC21022-INDUSTRIES	-	21,823,000	21,823,000	-	26,187,600	26,187,600
P92 - PRNCPL G PLYTCH INST G.CERMAIC SHDARA	20,242,730	5,478,000	25,720,730	23,380,353	6,573,600	29,953,953
PC21010-GENERAL ADMINISTRATION	20,242,730	5,478,000	25,720,730	23,380,353	6,573,600	29,953,953
Grand Total	130,727,326,000	313,872,674,000	444,600,000,000	150,990,061,530	357,909,938,470	508,900,000,000

TABLE 10.3
CURRENT EXPENDITURE CEILINGS FOR ALL DEPARTMENTS

Department	BUDGET ESTIMATES 2013-14			BUDGET ESTIMATES 2014-15		
	Salary	Non Salary	Grand Total	Salary	Non Salary	Grand Total
P50 - Agriculture	5,080,393,481	2,033,454,204	7,113,847,685	6,096,472,177	2,440,145,045	8,536,617,222
PC21010-GENERAL ADMINISTRATION	81,081,631	23,350,320	104,431,951	97,297,957	28,020,384	125,318,341
PC21018-AGRICULTURE	4,999,311,850	2,010,103,884	7,009,415,734	5,999,174,220	2,412,124,661	8,411,298,881
P51 - C.M. Secretariat	328,198,140	64,253,232	392,451,372	393,837,768	77,103,878	470,941,647
PC21010-GENERAL ADMINISTRATION	328,198,140	64,253,232	392,451,372	393,837,768	77,103,878	470,941,647
P52 - Chief Ministers Inspection Team	58,905,033	15,638,220	74,543,253	70,686,040	18,765,864	89,451,904
PC21010-GENERAL ADMINISTRATION	58,905,033	15,638,220	74,543,253	70,686,040	18,765,864	89,451,904
P54 - Communication and Works	3,282,115,969	4,171,196,664	7,453,312,633	3,938,539,163	5,005,435,997	8,943,975,160
PC21010-GENERAL ADMINISTRATION	99,762,511	18,194,652	117,957,163	119,715,014	21,833,582	141,548,596
PC21024-CIVIL WORKS	1,473,237,218	965,702,520	2,438,939,738	1,767,884,662	1,158,843,024	2,926,727,686
PC21025-COMMUNICATIONS	1,709,116,240	3,078,075,492	4,787,191,732	2,050,939,488	3,693,690,590	5,744,630,078
PC24024-CIVIL WORKS	-	109,224,000	109,224,000	-	131,068,800	131,068,800
P56 - Cooperatives	170,441,823	23,974,668	194,416,491	204,530,187	28,769,602	233,299,789
PC21010-GENERAL ADMINISTRATION	17,674,581	4,487,040	22,161,621	21,209,497	5,384,448	26,593,945
PC21021-CO-OPERATION	152,767,242	19,487,628	172,254,870	183,320,690	23,385,154	206,705,843
P57 - Education	26,142,196,551	11,422,707,000	37,564,903,551	31,370,635,861	14,278,383,750	45,649,019,611
PC21010-GENERAL ADMINISTRATION	213,212,438	64,359,000	277,571,438	255,854,926	80,448,750	336,303,676
PC21015-EDUCATION	25,928,984,113	11,358,348,000	37,287,332,113	31,114,780,935	14,197,935,000	45,312,715,935
P58 - Environment Protection	90,637,081	17,410,896	108,047,977	108,764,497	20,893,075	129,657,572
PC21010-GENERAL ADMINISTRATION	17,863,263	4,870,800	22,734,063	21,435,915	5,844,960	27,280,875
PC21017-PUBLIC HEALTH	72,773,818	12,540,096	85,313,914	87,328,581	15,048,115	102,376,696
P59 - Excise&Taxation	171,617,790	376,052,328	547,670,118	205,941,347	451,262,794	657,204,141
PC21001-OPIUM	6,232,324	255,348	6,487,672	7,478,788	306,418	7,785,206
PC21003-PROVINCIAL EXCISE	42,390,328	38,404,044	80,794,372	50,868,393	46,084,853	96,953,246
PC21007-CHRGES ON ACCOUNT OF MOTOR VEHICLES ACTS	24,407,129	2,345,364	26,752,493	29,288,554	2,814,437	32,102,991

PC21008-OTHER TAXES AND DUTIES	53,487,403	325,362,060	378,849,463	64,184,884	390,434,472	454,619,356
PC21010-GENERAL ADMINISTRATION	45,100,606	9,685,512	54,786,118	54,120,728	11,622,614	65,743,342
P60 - Finance	9,424,291,946	325,588,422,416	335,012,714,362	11,309,150,336	390,001,096,599	401,310,246,934
PC21010-GENERAL ADMINISTRATION	9,104,890,143	217,525,396	9,322,415,538	10,925,868,171	236,020,175	11,161,888,346
PC21028-PENSIONS (INCLUDING PENSION FUND CONTRIBUTION)	-	57,000,000,000	57,000,000,000	-	60,000,000,000	60,000,000,000
PC21031-MISCELLANEOUS	319,401,804	254,470,897,020	254,790,298,824	383,282,165	313,765,076,424	314,148,358,589
PC24044-INTEREST ON DEBT AND OTHER OBLIGATIONS	-	13,900,000,000	13,900,000,000	-	16,000,000,000	16,000,000,000
P61 - Food	57,786,111	35,013,692,852	35,071,478,963	69,343,334	40,016,431,422	40,085,774,756
PC21010-GENERAL ADMINISTRATION	57,786,111	13,692,852	71,478,963	69,343,334	16,431,422	85,774,756
PC21030-SUBSIDIES	-	35,000,000,000	35,000,000,000	-	40,000,000,000	40,000,000,000
P62 - Forestry Wildlife & Fisheries	2,415,338,926	872,869,500	3,288,208,426	2,898,406,712	1,047,443,400	3,945,850,112
PC21005-FORESTS	1,479,494,407	677,928,276	2,157,422,683	1,775,393,288	813,513,931	2,588,907,219
PC21010-GENERAL ADMINISTRATION	37,260,837	10,928,304	48,189,141	44,713,005	13,113,965	57,826,970
PC21019-FISHERIES	430,821,582	66,028,860	496,850,442	516,985,898	79,234,632	596,220,530
PC21023-MISCELLANEOUS DEPARTMENTS	467,762,100	117,984,060	585,746,160	561,314,521	141,580,872	702,895,393
P63 - Governors Secretariat	173,032,164	61,828,164	234,860,328	207,638,597	74,193,797	281,832,393
PC24010-GENERAL ADMINISTRATION	173,032,164	61,828,164	234,860,328	207,638,597	74,193,797	281,832,393
P64 - Health	20,640,087,905	18,677,499,000	39,317,586,905	24,768,105,486	23,346,873,750	48,114,979,236
PC21010-GENERAL ADMINISTRATION	181,037,211	54,751,500	235,788,711	217,244,653	68,439,375	285,684,028
PC21016-HEALTH SERVICES	20,459,050,694	18,622,747,500	39,081,798,194	24,550,860,833	23,278,434,375	47,829,295,208
P65 - Home	73,170,854,492	15,163,339,140	88,334,193,632	87,805,025,391	18,196,006,968	106,001,032,359
PC21010-GENERAL ADMINISTRATION	2,765,434,300	396,840,312	3,162,274,612	3,318,521,160	476,208,374	3,794,729,535
PC21012-JAILS AND CONVICT SETTLEMENTS	3,329,343,258	2,645,699,004	5,975,042,262	3,995,211,910	3,174,838,805	7,170,050,715
PC21013-POLICE	64,733,893,574	11,599,337,880	76,333,231,454	77,680,672,288	13,919,205,456	91,599,877,744
PC21031-MISCELLANEOUS	2,282,157,942	514,191,168	2,796,349,110	2,738,589,531	617,029,402	3,355,618,932
PC21032-CIVIL DEFENCE	60,025,417	7,270,776	67,296,193	72,030,501	8,724,931	80,755,432
P66 - Housing Urban Development Public HlthEng	1,468,659,145	1,983,627,396	3,452,286,541	1,762,390,974	2,380,352,875	4,142,743,850
PC21010-GENERAL ADMINISTRATION	57,079,655	19,613,088	76,692,743	68,495,586	23,535,706	92,031,291
PC21017-PUBLIC HEALTH	1,100,162,257	1,929,900,996	3,030,063,253	1,320,194,708	2,315,881,195	3,636,075,903

PC21024-CIVIL WORKS	-	-	-	-	-	-
PC21026-HOUSING AND PHYSICAL PLANNING	311,417,234	34,113,312	345,530,546	373,700,681	40,935,974	414,636,655
P67 - Industries and Mineral Development	4,617,927,612	4,699,975,140	9,317,902,752	5,541,513,135	5,639,970,168	11,181,483,303
PC21010-GENERAL ADMINISTRATION	210,939,491	127,725,660	338,665,151	253,127,389	153,270,792	406,398,181
PC21022-INDUSTRIES	4,307,035,467	4,484,231,172	8,791,266,639	5,168,442,560	5,381,077,406	10,549,519,967
PC21029-STATIONERY AND PRINTING	99,952,654	88,018,308	187,970,962	119,943,185	105,621,970	225,565,154
P68 - Information Technology	-	-	-	-	-	-
PC21010-GENERAL ADMINISTRATION	-	-	-	-	-	-
P69 - Information Culture and Youth Affairs	818,891,564	343,305,792	1,162,197,356	982,669,876	411,966,950	1,394,636,827
PC21010-GENERAL ADMINISTRATION	35,694,347	24,454,368	60,148,715	42,833,216	29,345,242	72,178,458
PC21014-MUSEUMS	49,313,019	22,070,628	71,383,647	59,175,623	26,484,754	85,660,377
PC21023-MISCELLANEOUS DEPARTMENTS	733,884,198	296,780,796	1,030,664,994	880,661,037	356,136,955	1,236,797,992
P70 - Irrigation and Power	9,340,188,495	5,086,867,212	14,427,055,707	11,208,226,194	6,104,240,654	17,312,466,848
PC21008-OTHER TAXES AND DUTIES	132,331,190	29,753,208	162,084,398	158,797,428	35,703,850	194,501,277
PC21009-IRRIGATION AND LAND RECLAMATION	9,111,324,311	5,026,107,672	14,137,431,983	10,933,589,173	6,031,329,206	16,964,918,379
PC21010-GENERAL ADMINISTRATION	96,532,994	31,006,332	127,539,326	115,839,593	37,207,598	153,047,192
PC21024-CIVIL WORKS	-	-	-	-	-	-
P71 - Labour and Human Resource	231,600,790	50,795,064	282,395,854	277,920,948	60,954,077	338,875,025
PC21010-GENERAL ADMINISTRATION	26,683,002	8,339,400	35,022,402	32,019,602	10,007,280	42,026,882
PC21023-MISCELLANEOUS DEPARTMENTS	204,917,788	42,455,664	247,373,452	245,901,346	50,946,797	296,848,143
P72 - Law and Parliamentary Affairs	1,008,534,968	254,645,424	1,263,180,392	1,210,241,961	305,574,509	1,515,816,470
PC21010-GENERAL ADMINISTRATION	152,623,903	150,798,492	303,422,395	183,148,683	180,958,190	364,106,874
PC21011-ADMINISTRATION OF JUSTICE	855,911,065	103,846,932	959,757,997	1,027,093,278	124,616,318	1,151,709,597
P73 - Literacy and Non-formal Basic Education	26,206,180	5,008,068	31,214,248	31,447,416	6,009,682	37,457,098
PC21010-GENERAL ADMINISTRATION	26,206,180	5,008,068	31,214,248	31,447,416	6,009,682	37,457,098
P74 - Livestock and Dairy Development	1,684,915,343	1,814,609,160	3,499,524,503	2,021,898,412	2,177,530,992	4,199,429,404
PC21010-GENERAL ADMINISTRATION	32,853,894	7,028,712	39,882,606	39,424,672	8,434,454	47,859,127
PC21020-VETERINARY	1,652,061,450	1,807,580,448	3,459,641,898	1,982,473,740	2,169,096,538	4,151,570,277
P75 - Local Government and Rural Development	607,893,567	105,805,584	713,699,151	729,472,280	126,966,701	856,438,981

PC21010-GENERAL ADMINISTRATION	133,211,700	53,156,664	186,368,364	159,854,041	63,787,997	223,642,037
PC21031-MISCELLANEOUS	474,681,866	52,648,920	527,330,786	569,618,240	63,178,704	632,796,944
P76 - Management and Professional Development	65,463,526	166,452,948	231,916,474	78,556,231	199,743,538	278,299,769
PC21010-GENERAL ADMINISTRATION	65,463,526	166,452,948	231,916,474	78,556,231	199,743,538	278,299,769
P77 - Mines and Minerals	228,559,954	96,105,312	324,665,266	274,271,945	115,326,374	389,598,319
PC21022-INDUSTRIES	228,559,954	96,105,312	324,665,266	274,271,945	115,326,374	389,598,319
P78 - Planning and Development	451,203,516	77,699,592	528,903,108	541,444,220	93,239,510	634,683,730
PC21010-GENERAL ADMINISTRATION	232,475,450	39,738,348	272,213,798	278,970,540	47,686,018	326,656,558
PC21023-MISCELLANEOUS DEPARTMENTS	153,644,827	15,719,400	169,364,227	184,373,793	18,863,280	203,237,073
PC21031-MISCELLANEOUS	65,083,239	22,241,844	87,325,083	78,099,886	26,690,213	104,790,099
P79 - Population Welfare	48,654,829	20,582,820	69,237,649	58,385,795	24,699,384	83,085,179
PC21010-GENERAL ADMINISTRATION	48,654,829	20,582,820	69,237,649	58,385,795	24,699,384	83,085,179
P80 - Provincial Assembly	784,629,144	470,114,856	1,254,744,000	941,554,973	564,137,827	1,505,692,800
PC21010-GENERAL ADMINISTRATION	328,553,563	260,317,692	588,871,255	394,264,276	312,381,230	706,645,506
PC24010-GENERAL ADMINISTRATION	456,075,581	209,797,164	665,872,745	547,290,697	251,756,597	799,047,294
P81 - Relief	35,586,111	61,146,252	96,732,363	42,703,334	73,375,502	116,078,836
PC21027-RELIEF	35,586,111	61,146,252	96,732,363	42,703,334	73,375,502	116,078,836
P82 - Religious Affairs and AuqafDept	27,347,042	13,350,420	40,697,462	32,816,450	16,020,504	48,836,954
PC21010-GENERAL ADMINISTRATION	27,347,042	13,350,420	40,697,462	32,816,450	16,020,504	48,836,954
P83 - Revenue	6,371,410,210	1,092,479,112	7,463,889,322	7,645,692,253	1,310,974,934	8,956,667,187
PC21002-LAND REVENUE	2,796,892,833	81,085,536	2,877,978,369	3,356,271,399	97,302,643	3,453,574,042
PC21004-STAMPS	13,308,591	246,676,500	259,985,091	15,970,310	296,011,800	311,982,110
PC21006-REGISTRATION	54,540,506	3,504,024	58,044,530	65,448,607	4,204,829	69,653,436
PC21009-IRRIGATION AND LAND RECLAMATION	3,336,289	180,072	3,516,361	4,003,547	216,086	4,219,634
PC21010-GENERAL ADMINISTRATION	3,466,006,797	751,655,952	4,217,662,749	4,159,208,157	901,987,142	5,061,195,299
PC21029-STATIONERY AND PRINTING	-	7,954,164	7,954,164	-	9,544,997	9,544,997
PC21031-MISCELLANEOUS	37,325,194	1,422,864	38,748,058	44,790,233	1,707,437	46,497,670
P84 - Services and General Administration	11,136,198,910	2,917,234,296	14,053,433,206	13,363,438,692	3,500,681,155	16,864,119,847
PC21010-GENERAL ADMINISTRATION	2,153,443,870	885,439,116	3,038,882,986	2,584,132,644	1,062,526,939	3,646,659,583

PC21011-ADMINISTRATION OF JUSTICE	7,193,521,051	1,724,582,016	8,918,103,067	8,632,225,262	2,069,498,419	10,701,723,681
PC21031-MISCELLANEOUS	9,659,296	66,428,856	76,088,152	11,591,156	79,714,627	91,305,783
PC24011-ADMINISTRATION OF JUSTICE	1,777,234,463	240,784,308	2,018,018,771	2,132,681,356	288,941,170	2,421,622,525
PC24045-PRIVY PURSES	2,340,229	-	2,340,229	2,808,275	-	2,808,275
P85 - Social Welfare (W)Developmnt&Baitul Mal	300,976,886	326,173,860	627,150,746	361,172,264	391,408,632	752,580,896
PC21010-GENERAL ADMINISTRATION	15,602,016	6,348,276	21,950,292	18,722,419	7,617,931	26,340,350
PC21031-MISCELLANEOUS	285,374,870	319,825,584	605,200,454	342,449,844	383,790,701	726,240,545
P86 - Special Education	399,839,872	61,710,084	461,549,956	479,807,846	74,052,101	553,859,947
PC21010-GENERAL ADMINISTRATION	23,776,729	6,058,980	29,835,709	28,532,075	7,270,776	35,802,851
PC21015-EDUCATION	376,063,142	55,651,104	431,714,246	451,275,771	66,781,325	518,057,096
P87 - Sports	102,461,088	48,195,828	150,656,916	122,953,306	57,834,994	180,788,299
PC21010-GENERAL ADMINISTRATION	102,461,088	48,195,828	150,656,916	122,953,306	57,834,994	180,788,299
P88 - Transport	38,493,847	23,422,644	61,916,491	46,192,616	28,107,173	74,299,789
PC21007-CHRGES ON ACCOUNT OF MOTOR VEHICLES ACTS	13,911,200	15,385,824	29,297,024	16,693,440	18,462,989	35,156,429
PC21010-GENERAL ADMINISTRATION	24,582,646	8,036,820	32,619,466	29,499,175	9,644,184	39,143,359
P89 - Zakat and Ushr	158,477,401	49,984,740	208,462,141	190,172,881	59,981,688	250,154,569
PC21010-GENERAL ADMINISTRATION	18,193,820	8,399,916	26,593,736	21,832,584	10,079,899	31,912,483
PC21031-MISCELLANEOUS	140,283,581	41,584,824	181,868,405	168,340,297	49,901,789	218,242,086
P91 - Commerce & Investment Department	-	32,210,748	32,210,748	-	38,652,898	38,652,898
PC21022-INDUSTRIES	-	32,210,748	32,210,748	-	38,652,898	38,652,898
P92 - PRNCPL G PLYTCH INST G.CERMAIC SHDARA	28,056,424	8,085,528	36,141,952	33,667,709	9,702,634	43,370,342
PC21010-GENERAL ADMINISTRATION	28,056,424	8,085,528	36,141,952	33,667,709	9,702,634	43,370,342
Grand Total	181,188,073,836	433,311,926,164	614,500,000,000	217,425,688,604	518,774,311,396	736,200,000,000

TABLE 10.4
DEVELOPMENT EXPENDITURE CEILINGS FOR ALL DEPARTMENTS

Department	B.E 2011-12	R.E 2011-12	B.E 2012-13	B.E 2013-14	B.E 2014-15
P50 - Agriculture	3,098,852,000	2,419,921,698	3,336,900,176	3,836,942,204	4,345,435,645
PC12038-AGRICULTURAL IMPROVMENT AND RESEARCH	124,087,000	96,900,666.4	133,619,137.7	153,642,267.3	174,003,815.9
PC22036-DEVELOPMENT	2,974,765,000	2,323,021,031.8	3,203,281,038.6	3,683,299,936.4	4,171,431,829.5
P54 - Communication and Works	80,632,501,000	62,966,653,054	86,826,543,122	99,837,696,693	113,068,757,084
PC12041-ROADS AND BRIDGES	38,251,976,000	29,871,315,803.6	41,190,423,247.3	47,362,901,192.7	53,639,702,709.1
PC12042-GOVERNMENT BUILDINGS	42,325,525,000	33,052,387,250.0	45,576,894,875.0	52,406,695,500.0	59,351,929,375.0
PC22036-DEVELOPMENT	55,000,000	42,950,000.0	59,225,000.0	68,100,000.0	77,125,000.0
P57 - Education	28,901,966,000	22,569,807,995	31,122,162,479	35,785,888,811	40,528,438,686
PC22036-DEVELOPMENT	28,901,966,000	22,569,807,994.5	31,122,162,479.1	35,785,888,810.9	40,528,438,686.4
P58 - Environment Protection	266,000,000	207,721,818	286,433,636	329,356,364	373,004,545
PC22036-DEVELOPMENT	266,000,000	207,721,818.2	286,433,636.4	329,356,363.6	373,004,545.5
P60 - Finance	18,445,000,000	14,403,868,182	19,861,911,364	22,838,263,636	25,864,920,455
PC12043-LOANS TO MUNICIPALITIES, PORT FUNDS ETC.	-	-	-	-	-
PC22036-DEVELOPMENT	18,445,000,000	14,403,868,181.8	19,861,911,363.6	22,838,263,636.4	25,864,920,454.5
P61 - Food	230,000,000	179,609,091	247,668,182	284,781,818	322,522,727
PC22036-DEVELOPMENT	230,000,000	179,609,090.9	247,668,181.8	284,781,818.2	322,522,727.3
P62 - Forestry Wildlife & Fisheries	999,831,000	780,777,117	1,076,636,200	1,237,972,565	1,402,035,743
PC22036-DEVELOPMENT	999,831,000	780,777,117.3	1,076,636,199.5	1,237,972,565.5	1,402,035,743.2
P64 - Health	17,245,952,000	13,467,520,698	18,570,754,676	21,353,624,204	24,183,528,145
PC22036-DEVELOPMENT	17,245,952,000	13,467,520,698.2	18,570,754,676.4	21,353,624,203.6	24,183,528,145.5
P65 - Home	1,937,590,000	1,513,081,645	2,086,432,141	2,399,088,709	2,717,029,614
PC22036-DEVELOPMENT	1,937,590,000	1,513,081,645.5	2,086,432,140.9	2,399,088,709.1	2,717,029,613.6
P66 - Housing Urban Development Public HlthEng	19,269,234,000	15,047,520,005	20,749,461,521	23,858,815,189	27,020,721,314
PC12040-TOWN DEVELOPMENT	1,200,000,000	937,090,909.1	1,292,181,818.2	1,485,818,181.8	1,682,727,272.7
PC22036-DEVELOPMENT	18,069,234,000	14,110,429,096.4	19,457,279,702.7	22,372,997,007.3	25,337,994,040.9
P67 - Industries and Mineral Development	4,831,877,000	3,773,256,675	5,203,053,006	5,982,742,249	6,775,609,339
PC12043-LOANS TO MUNICIPALITIES, PORT FUNDS ETC.	-	-	-	-	-
PC22036-DEVELOPMENT	4,831,877,000	3,773,256,675.5	5,203,053,005.9	5,982,742,249.1	6,775,609,338.6

P69 - Information Culture and Youth Affairs	106,683,000	83,309,725	114,878,194	132,092,951	149,598,661
PC22036-DEVELOPMENT	106,683,000	83,309,724.5	114,878,194.1	132,092,950.9	149,598,661.4
P70 - Irrigation and Power	11,250,000,000	8,785,227,273	12,114,204,545	13,929,545,455	15,775,568,182
PC12037-IRRIGATION WORKS	10,891,000,000	8,504,880,909.1	11,727,626,818.2	13,485,038,181.8	15,272,152,272.7
PC22036-DEVELOPMENT	359,000,000	280,346,363.6	386,577,727.3	444,507,272.7	503,415,909.1
P71 - Labour and Human Resource	92,500,000	72,234,091	99,605,682	114,531,818	129,710,227
PC22036-DEVELOPMENT	92,500,000	72,234,090.9	99,605,681.8	114,531,818.2	129,710,227.3
P72 - Law and Parliamentary Affairs	20,000,000	15,618,182	21,536,364	24,763,636	28,045,455
PC22036-DEVELOPMENT	20,000,000	15,618,181.8	21,536,363.6	24,763,636.4	28,045,454.5
P74 - Livestock and Dairy Development	2,384,595,000	1,862,151,914	2,567,775,252	2,952,562,173	3,343,852,534
PC22036-DEVELOPMENT	2,384,595,000	1,862,151,913.6	2,567,775,252.3	2,952,562,172.7	3,343,852,534.1
P75 - Local Government and Rural Development	7,000,000,000	5,466,363,636	7,537,727,273	8,667,272,727	9,815,909,091
PC22036-DEVELOPMENT	7,000,000,000	5,466,363,636.4	7,537,727,272.7	8,667,272,727.3	9,815,909,090.9
P77 - Mines and Minerals	159,196,000	124,317,604	171,425,147	197,113,593	223,236,209
PC22036-DEVELOPMENT	159,196,000	124,317,603.6	171,425,147.3	197,113,592.7	223,236,209.1
P78 - Planning and Development	12,052,240,000	9,411,703,782	12,978,071,164	14,922,864,436	16,900,527,455
PC22036-DEVELOPMENT	12,052,240,000	9,411,703,781.8	12,978,071,163.6	14,922,864,436.4	16,900,527,454.5
P79 - Population Welfare	2,860,000,000	2,233,400,000	3,079,700,000	3,541,200,000	4,010,500,000
PC22036-DEVELOPMENT	2,860,000,000	2,233,400,000.0	3,079,700,000.0	3,541,200,000.0	4,010,500,000.0
P82 - Religious Affairs and AuqafDept	120,000,000	93,709,091	129,218,182	148,581,818	168,272,727
PC22036-DEVELOPMENT	120,000,000	93,709,090.9	129,218,181.8	148,581,818.2	168,272,727.3
P83 - Revenue	620,000,000	484,163,636	667,627,273	767,672,727	869,409,091
PC22036-DEVELOPMENT	620,000,000	484,163,636.4	667,627,272.7	767,672,727.3	869,409,090.9
P85 - Social Welfare (W)Developmnt&Baitul Mal	324,645,000	253,518,232	349,583,639	401,969,536	455,240,830
PC22036-DEVELOPMENT	324,645,000	253,518,231.8	349,583,638.6	401,969,536.4	455,240,829.5
P87 - Sports	26,000,000	20,303,636	27,997,273	32,192,727	36,459,091
PC22036-DEVELOPMENT	26,000,000	20,303,636.4	27,997,272.7	32,192,727.3	36,459,090.9
P88 - Transport	6,700,000,000	5,232,090,909	7,214,681,818	8,295,818,182	9,395,227,273
PC12043-LOANS TO MUNICIPALITIES, PORT FUNDS ETC.	-	-	-	-	-
PC22036-DEVELOPMENT	6,700,000,000	5,232,090,909.1	7,214,681,818.2	8,295,818,181.8	9,395,227,272.7
P89 - Zakat and Ushr	425,338,000	332,150,311	458,011,692	526,645,778	596,439,877
PC22036-DEVELOPMENT	425,338,000	332,150,310.9	458,011,691.8	526,645,778.2	596,439,877.3
Grand Total	220,000,000,000	171,800,000,000	236,900,000,000	272,400,000,000	308,500,000,000

ANNEXURE A-1 MODELLING PROVINCIAL FINANCES

We first designate the following

RR = total revenue receipts, CE= current expenditure, CR= capital receipts and DE= development expenditure.

The first step is conversion of these variables to real magnitudes

$$RRR = \frac{RR}{PRR} \text{-----(1)}$$

$$RCE = \frac{CE}{PCE} \text{-----(2)}$$

$$RCR = \frac{CR}{PCR} \text{-----(3)}$$

$$RDE = \frac{DE}{PDE} \text{-----(4)}$$

Where PRR, PCE, PCR and PDE are the respective price indices.

Now,

$$PRR = \overline{RRR} \text{-----(5)}$$

$$PCR = \overline{RCR}$$

Revenue and capital receipts are forecast independently as part of the exercise of determining the resource envelope for the province.

We now define

$$RDEL = \lambda_4 RDE(-4) + \lambda_3 RDE(-3) + \lambda_2 RDE(-2) + \lambda_1 RDE(-1) \quad \text{-----}(6)$$

Where RDE (-4) is the real development expenditure four years ago, and so on. The λ_s are coefficients with the following properties

$$\lambda_4 > \lambda_3 > \lambda_2 > \lambda_1$$

and

$$\lambda_4 + \lambda_3 + \lambda_2 + \lambda_1 = 1 \quad \text{-----}(7)$$

A maximum of a four year lag has been allowed for

The downstream relationship between development expenditure and current expenditure is captured by the following equation:

$$R\hat{CE} = \beta_0 + \beta_1 \overline{RRR} + \beta_2 RDEL + \epsilon \quad \text{-----}(8)$$

$$CE = R\hat{CE}.PCE \quad \text{-----}(9)$$

Following the determination of CE from (9) we have,

$$DE = RR - CE + CR$$

(10)

Therefore CE and DE are derived from (9) and (10) given the magnitudes of RR and CR.

The Model has been estimated on budgetary data from 1990-91 to 2009-10.

The best estimates of λ are as follows:

$$\lambda_4 = 0.4, \quad \lambda_3 = 0.3, \quad \lambda_2 = 0.2, \quad \lambda_1 = 0.1$$

Estimates of Equation (8) are as follows:

$$RCE = 52114 + 0.402\overline{RRR} + 0.345 RDEL$$

$$(10.751)^* (7.825)^* \quad (3.903)^*$$

$$\overline{R^2} = 0.962, D - W = 1.716$$

*Significant at 5Percent level

ANNEXURE A-2
SECTOR OBJECTIVES, GOALS, STRATEGIES AND PROGRAMS

Sector	Goals and Objectives	Strategies	Types of Programmes
A Social Sectors			
1 Education			
a School Education			
	<ul style="list-style-type: none"> Universal Primary Education. 	<ul style="list-style-type: none"> Up-gradation of Schools (Primary to Middle and Middle to High level) 	<ul style="list-style-type: none"> Provision of Missing Facilities in Primary and Middle Schools
	<ul style="list-style-type: none"> Completion of full Primary Schooling by all children. 	<ul style="list-style-type: none"> Training of Teachers and Managers 	<ul style="list-style-type: none"> Accelerated Programme for Development of School Sector
	<ul style="list-style-type: none"> Promote Gender Equality. 	<ul style="list-style-type: none"> Provision of Computers Labs in 515 Elementary Schools in Punjab 	<ul style="list-style-type: none"> Reconstruction of unsafe School Buildings
	<ul style="list-style-type: none"> Ensure 100% participation rate at primary level by 2011 and participation enhancement at the Elementary & Secondary level; 	<ul style="list-style-type: none"> Provision of Science Lab equipment in 1000 highly enrolled High / Higher Secondary Schools. 	<ul style="list-style-type: none"> Establishment of new colleges/schools and capacity building of teachers
	<ul style="list-style-type: none"> Promotion of Science & Computer education upto secondary level; 	<ul style="list-style-type: none"> Capacity building of School Councils 	<ul style="list-style-type: none">
	<ul style="list-style-type: none"> Reduction in gender and regional disparities in access to education; 		
	<ul style="list-style-type: none"> Equitable access to learning and life skills. 		

b	Higher Education	<ul style="list-style-type: none"> Improving quality of education 	<ul style="list-style-type: none"> Improving college infrastructure through provision of missing and additional facilities for public sector colleges 	<ul style="list-style-type: none"> PESRP Phase-I
		<ul style="list-style-type: none"> Increasing equitable access to Higher Education 	<ul style="list-style-type: none"> Promotion of Science and Computer education at tertiary level 	<ul style="list-style-type: none"> Establishment of Colleges
		<ul style="list-style-type: none"> Rehabilitation and development of college infrastructure 	<ul style="list-style-type: none"> Capacity building of Managers and Administrators of Higher Education Department 	<ul style="list-style-type: none"> University of Gujrat
		<ul style="list-style-type: none"> Revamping of college education by developing strong relationship between Tertiary Education and job market 	<ul style="list-style-type: none"> Use of Management Information System for decision making 	<ul style="list-style-type: none"> Provision of Missing Facilities
		<ul style="list-style-type: none"> Up-gradation of existing educational institutions 	<ul style="list-style-type: none"> Development of monitoring and evaluation system 	<ul style="list-style-type: none"> Upgradation of Colleges
		<ul style="list-style-type: none"> Establishment of New Colleges 	<ul style="list-style-type: none"> Provision of merit scholarships for professional education 	<ul style="list-style-type: none"> Support to Universities
c.	Special Education	<ul style="list-style-type: none"> Provide educational facilities to school going special children and ensure maximum coverage by 2015 	<ul style="list-style-type: none"> Punjab Education Endowment Fund (PEEF) Enhancement of enrolment through provision of :- <ul style="list-style-type: none"> - Buildings for special education centers - Up-gradation of institutions/centers of Special Education - Stipend, free uniform, free text and braille books, etc. 	<ul style="list-style-type: none"> Establishment/Strengthening of Computer Labs in the Special Education Institutions

	<ul style="list-style-type: none"> Enhance enrolment of special children in the institutions / centers of special education in Punjab through improved facilities. 	<ul style="list-style-type: none"> Adoption of internationally accepted best practices in the field of special education 	<ul style="list-style-type: none"> Provision of Furniture to Govt. Special Education Centers
	<ul style="list-style-type: none"> Impart knowledge and skills to physically challenged children enabling them to become independent members of the society 	<ul style="list-style-type: none"> Establishment of Technical & Vocational Institutions of Special Education. 	<ul style="list-style-type: none"> Up-gradation of 09-government special education centres at district headquarter in punjab from primaryto middle
	<ul style="list-style-type: none"> Provide healthy atmosphere to the special children in the institutions / centers of special education in Punjab by providing them buildings with special facilities. 	<ul style="list-style-type: none"> Establishment of computer labs. 	<ul style="list-style-type: none"> Establishment of 07 special education centres at tehsil / towns level in punjab
	<ul style="list-style-type: none"> Up-gradation of Special Education Institutions from Primary to Middle and Middle to Secondary Level. 		<ul style="list-style-type: none"> Construction of buildings of special education centres in punjab.
d Literacy			
	<ul style="list-style-type: none"> To achieve 100% literacy rate in Punjab by the year 2020. 	<ul style="list-style-type: none"> To create opportunities for access to literacy and non formal education to illiterate and out of school population of all age groups in Punjab. 	<ul style="list-style-type: none"> Literate Punjab Program
		<ul style="list-style-type: none"> To take affirmative action for poorest of the poor, rural and female segments of illiterate population through specially designed skill oriented interventions. 	<ul style="list-style-type: none"> Non-formal education promotion project with Japan International Cooperation Agency (JICA)

		<ul style="list-style-type: none"> To ensure quality learning by enhancing the staff capacity in Research & Development, Monitoring & Evaluation and customized curriculum development in literacy and non formal education sector. 	<ul style="list-style-type: none"> Punjab Literacy & Livelihood Program (PLLP)
		<ul style="list-style-type: none"> Motivate & mobilize communities and other stakeholders for creating a learning society through rights and equity based communication, advocacy and awareness interventions. 	
		<ul style="list-style-type: none"> To ensure availability of reliable, relevant and up to date data, by building a broad based data warehouse at LNFBED 	
e. Sports			
	<ul style="list-style-type: none"> Promotion of sports through various interventions from grass root levels of excellence. 	<ul style="list-style-type: none"> Construction of International level facilities like swimming pools and tennis courts. 	<ul style="list-style-type: none"> Restoration, up-gradation and maintenance of the existing sports facilities.
	<ul style="list-style-type: none"> Restoration, up-gradation and creation of state of the art infrastructure. 	<ul style="list-style-type: none"> Construction of international level multipurpose (indoor) gymnasiums at Divisional, District & Tehsil level. 	<ul style="list-style-type: none"> Construction of international level facilities like swimming pools, tennis and squash complexes.
	<ul style="list-style-type: none"> Athlete Development Programmes. 	<ul style="list-style-type: none"> Development of sports facilities around school clusters in districts/tehsils. 	<ul style="list-style-type: none"> Construction of international level multipurpose (indoor) gymnasiums at Divisional, District & Tehsil level.

	<ul style="list-style-type: none">• Capacity building through world class professionals.		<ul style="list-style-type: none">• Capacity building of Sports Department.
	<ul style="list-style-type: none">• Research & Development.		
	<ul style="list-style-type: none">• To introduce scientific training to help develop competitive advantage in various sports.		
	<ul style="list-style-type: none">• Development of state of the Art infrastructure with cutting edge sports facilities.		
2 Health			
	<ul style="list-style-type: none">• Measurable impact on Millennium Development Goals (MDGs) through major interventions in the health services delivery with significant reduction in incidence of diseases	<ul style="list-style-type: none">• Greater Focus on Preventive Health Care & Attainment of MDGs	<ul style="list-style-type: none">• Preventive and Primary Health Care& Attainment of MDGs
	<ul style="list-style-type: none">• Implementation of standardized service delivery package through effective implementation of Minimum Service Delivery Standards (MSDS)	<ul style="list-style-type: none">• Focus on Rural Health Centres (RHCs) and Renewed Focus on Secondary Health Care	<ul style="list-style-type: none">• Accelerated Programme for Health Care
	<ul style="list-style-type: none">• Ensuring regional equity in the developmental portfolio	<ul style="list-style-type: none">• Focus on Rural Health Centres (RHCs) and Renewed Focus on Secondary Health Care	<ul style="list-style-type: none">• Tertiary Care Hospitals
	<ul style="list-style-type: none">• Focus on Preventive Health Care through inter-sectoral coordination and regular health education/promotion	<ul style="list-style-type: none">• Focus on Rural Health Centres (RHCs) and Renewed Focus on Secondary Health Care	<ul style="list-style-type: none">• Medical Education
	<ul style="list-style-type: none">• Improved primary, secondary and tertiary health care through inclusion of need-based and result-oriented	<ul style="list-style-type: none">• New Strategic Thrust	<ul style="list-style-type: none">• Research & Development

	schemes		
	<ul style="list-style-type: none"> • Complement the current side pro-poor investments effectively and strategically 	<ul style="list-style-type: none"> • Establishment of Centers of Excellence 	<ul style="list-style-type: none"> • Establishment of Centers of Excellence
3 Water Supply & Sanitation	<ul style="list-style-type: none"> • Alignment with the Health Policy Framework 	<ul style="list-style-type: none"> • Enhanced Focus on Medical Education 	
	<ul style="list-style-type: none"> • Identification of Rural Water Supply Schemes on need based particularly in Brackish, contaminated and Arsenic affected areas. 	<ul style="list-style-type: none"> • Ensuring Rural Water Supply Coverage 	<ul style="list-style-type: none"> • Rural Water Supply & Sanitation
	<ul style="list-style-type: none"> • Rehabilitation of need based non-functional schemes requiring minimum cost input and ensured sustainability through community participation. 	<ul style="list-style-type: none"> • Ensuring Quality Control 	<ul style="list-style-type: none"> • Urban Water Supply & Sanitation
	<ul style="list-style-type: none"> • Ensure disposal of waste water into water bodies after proper treatment 	<ul style="list-style-type: none"> • Improving sanitation and environmental sustainability 	
	<ul style="list-style-type: none"> • Only technically and financially viable/feasible schemes would be considered for provision of resources. 	<ul style="list-style-type: none"> • Preservation of the water resources 	
	<ul style="list-style-type: none"> • Provision of water supply and sanitation facilities in medium sized and semi urban towns / areas. 	<ul style="list-style-type: none"> • Capacity Building Of PHED 	
	<ul style="list-style-type: none"> • Drinking water quality through district Water Testing Laboratories 		

4 Social Protection			
	<ul style="list-style-type: none"> Creation of welfare facilities and healthy living opportunities of vulnerable groups including destitute and old age women and children. 	<ul style="list-style-type: none"> Establishment of Children Homes at Faisalabad 	<ul style="list-style-type: none"> Social Welfare, Women
	<ul style="list-style-type: none"> Gender mainstreaming in Public and Private Setup. 	<ul style="list-style-type: none"> Construction of Beggar's home at Lahore 	<ul style="list-style-type: none"> Punjab Vocational Training Council (PVTC)
	<ul style="list-style-type: none"> Impart marketable skills for self employment. 	<ul style="list-style-type: none"> Establishment of Hostel for Working Women at Sahiwal. 	
	<ul style="list-style-type: none"> Eradication of drug menace and rehabilitation of drug addicts. 	<ul style="list-style-type: none"> Block Allocation for Punjab Vocational Training Council (PVTC). 	
	<ul style="list-style-type: none"> Eradication of child beggary from the society. 	<ul style="list-style-type: none"> Old Age Home building at Lahore 	
5 Regional Planning			
	<ul style="list-style-type: none"> Removal of regional imbalances 	<ul style="list-style-type: none"> Southern Punjab Development Programme for schemes of strategic nature, having immediate, impact in the neglected areas within the districts, benefiting maxim area and populace, quick disbursement and pro poor– jobs creation. 	<ul style="list-style-type: none"> Southern Punjab Development Programme (SPDP)
	<ul style="list-style-type: none"> Multi-sectoral integrated development programmes in the less privileged areas i.e. Barani tract, Cholistan Thal and parts of Southern Punjab. 	<ul style="list-style-type: none"> DFID assisted Punjab Economic Opportunities Programme in southern areas for skill development and livestock and dairy development. 	<ul style="list-style-type: none"> Punjab Economic Opportunities Programme (PEOP)
	<ul style="list-style-type: none"> Provision of physical and social infrastructure in Cholistan (water, electricity and roads) under 	<ul style="list-style-type: none"> Water Resource Development (through Construction of 200 mini dams along with command 	<ul style="list-style-type: none"> Agency for Barani Area Development ABAD)

	Cholistan Development Authority.	area development) of Pothohar region, barani areas of Punjab.	
	<ul style="list-style-type: none"> Special focused interventions in the poorer districts of Southern Punjab 	<ul style="list-style-type: none"> Provision of Necessary Infrastructure like roads and water supply in Cholistan area. 	<ul style="list-style-type: none"> Cholistan Development Authority CDA)
	<ul style="list-style-type: none"> Targeted poverty alleviation schemes for less developed areas. 	<ul style="list-style-type: none"> Shaadbad Cholistan Project. 	<ul style="list-style-type: none"> Tribal Area Development Project TADP)
		<ul style="list-style-type: none"> Provision of drinking water through pipe line from Bahawal Canal at Jaganpir to KhutriDahar Water Works. 	<ul style="list-style-type: none"> Integrated Poverty Alleviation Program
		<ul style="list-style-type: none"> Special Development Programme for districts of Jhang, Mianwali, Khushab and Bhakkar 	<ul style="list-style-type: none"> Agency for Barani Area Development
6 Local Government & Community Development			
	<ul style="list-style-type: none"> Assist local government in enhancing their financial and institutional capacity for effective and efficient delivery of municipal services 		<ul style="list-style-type: none"> Punjab Development Programme (PDP)
			<ul style="list-style-type: none"> Katchiabadis development programme
			<ul style="list-style-type: none"> Punjab municipal improvement services
			<ul style="list-style-type: none"> PMU for clean drinking water for all
			<ul style="list-style-type: none"> Gender justice through MusalihatAnjuman project (GJTMAP)

			<ul style="list-style-type: none"> • Purchase of machinery for solid waste management Multan
B Infrastructure Development			
7 Roads	<ul style="list-style-type: none"> • Up-grading, augmenting and maintaining a modern road network in the province under most cost-effective, optimized and quality-oriented development and management regimes. 	<ul style="list-style-type: none"> • Preparing an Asset Management Plan for the provincial road sector and undertaking planned rehabilitation of roads that have outlived their design life. 	<ul style="list-style-type: none"> • Widening / Improvement of existing 10' / 12' to 20' to 24' wide road length
		<ul style="list-style-type: none"> • Constructing missing road links. 	<ul style="list-style-type: none"> • Rural Access Roads (Rehabilitation / Upgradation)
		<ul style="list-style-type: none"> • Developing province-wide secondary routes (covering north-south and east-west corridors) linking national motorways / trade corridors to foster economic opportunities via meeting expanding domestic and international travel and trade demands. 	
		<ul style="list-style-type: none"> • Improving average road densities to achieve optimal traffic density levels in consonance with increasing transportation requirements and targeted economic growth in the province 	
		<ul style="list-style-type: none"> • Implementing initiatives to improve road safety and axle-load conditions to achieve substantial reduction in road 	

		accidents and avert premature road distress.	
		<ul style="list-style-type: none"> • Undertaking widening / improvement of existing roads to 20' / 24' width for roads with traffic densities exceeding 800 VPD - targeting to achieve full coverage over the medium term (up to 2018). 	
		<ul style="list-style-type: none"> • Dualization of main arteries conveying 8,000 VPD by the year 2025. 	
		<ul style="list-style-type: none"> • Improving geometry of existing roads and removal of black spots. 	
		<ul style="list-style-type: none"> • Undertaking improvements in road design and specifications. 	
8	Irrigation		
	<ul style="list-style-type: none"> • Provide adequate, equitable and reliable irrigation supplies to the cultivable lands of Punjab aiming at enhanced agricultural productivity with focus on broad based institutional reforms 	<ul style="list-style-type: none"> • Implement structural measures for optimal utilization of surface water resources. 	<ul style="list-style-type: none"> • Assured and sustainable irrigationsupplies
		<ul style="list-style-type: none"> • Plan effective utilization of public investments for modernization of irrigation infrastructure 	<ul style="list-style-type: none"> • Selective lining of irrigation channels
		<ul style="list-style-type: none"> • Develop and practice holistic approaches to optimize 	<ul style="list-style-type: none"> • Lower Bari Doab CanallImprovementProje

	surface and groundwater use efficiencies with the aim to maximize agricultural productivity of irrigated lands.	ct
	<ul style="list-style-type: none"> • Extend broad-based institutional reforms already initiated in the province to achieve improved service delivery targets. 	<ul style="list-style-type: none"> • Rehabilitation of LCC System (Part-B)
	<ul style="list-style-type: none"> • Develop renewable energy resource base through installation of low-head hydel stations on canal falls in both public and private sectors. 	<ul style="list-style-type: none"> • Punjab Irrigated Agriculture Improvement Program (PIAP)
	<ul style="list-style-type: none"> • Extend and improve drainage, flood protection, hill torrent management and command area development interventions in riverine and rain-fed (barani) areas. 	<ul style="list-style-type: none"> • Establishing FOs in Faisalabad (LCC), Bahawalnagar (Sadiqia & Fordwah) and DG Khan (DGK) canal Commands
	<ul style="list-style-type: none"> • Mitigate environmental degradation and ground water mining. 	<ul style="list-style-type: none"> • Construction of Small Dams:
		<ul style="list-style-type: none"> • Construction of Cherah Dam (Rawalpindi – Islamabad)
		<ul style="list-style-type: none"> • ADB-assisted Renewable Energy Development Sector Investment Program (REDSIP) - Five hydel power projects (25MW combined) at Pakpattan, Okara (LBDC), Deg-outfall, Chianwali and Marala

			<ul style="list-style-type: none"> • Rehabilitation & Modernization of Jinnah Barrage
			<ul style="list-style-type: none"> • Punjab Irrigation System Improvement Project.
			<ul style="list-style-type: none"> • Management of Vidore Hill Torrent in DG Khan Irrigation Zone
9	Public Buildings		
	<ul style="list-style-type: none"> • Planning, constructing and maintaining residential and office accommodation facilities in public sector under need-driven and cost-effective regimes aiming at providing conducive environment for an efficient public service system. 	<ul style="list-style-type: none"> • Adoption of standardized plans for construction of public sector residences and office building. 	<ul style="list-style-type: none"> • Construction of Government Housing Initiatives
		<ul style="list-style-type: none"> • Barracks type accommodation for employees of the Police and Prisons Department • Master-planning for sequencing developments to cater office accommodation facilities for various government departments. 	<ul style="list-style-type: none"> • Construction of Government Offices Initiatives
		<ul style="list-style-type: none"> • Stock taking of existing assets and facilities for comprehensive planning of public housing in phased manner. 	

10 Urban Development

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| • Update legislation for empowered, responsive, efficient and accountable City Governments.. | • Supply of potable drinking water and its efficient use | • Development authorities |
| • Ensure the road and plinth levels as per the rules, SOPs and protocols. | • Provision of effective and efficient sewerage and drainage system | • WASAS |
| • Approval of PPP/JV/BOT frameworks. | • Environment friendly disposal of sewage | • Cities/special package) |
| • Review and rationalize all levies, fees and rating areas. | • Safe and efficient roads infrastructure | • Urban Renewal Programme for Intermediate Cities |
| • Encourage greater own revenue generation by CDGs/WASAs/DAs with matching provincial grants | • Master planning/studies/surveys | |
| • Preparation of Capital Investment and Asset Management Plans. | • Provision of urban infrastructure under urban renewal programme for intermediate cities | |
| • Linking of new schemes to Capital Investment Plan (CIP) of the city. | | |
| • Provincial Master Planning to guide all future investments. | | |
| • STPs to be made an integral part of all future sewerage schemes. | | |
| • Mandatory submission of PC-IV / PC-V documents for all completed projects. | | |

C Production Sectors

11 Agriculture

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| • Food security management in holistic manner | • Productivity Enhancement | • Agriculture Mechanization |
| • Emphasis on innovative technologies to bring vertical crop productivity | • Focused Research | • Agriculture Extension |
| • Increase farmers' income through increased crop productivity, better support prices, diversified agriculture practices. | • Water Resource Management | • Agriculture Information |
| • Emphasis on high value agriculture i.e. fruit and vegetable production and productivity | • Improved Services Delivery and Database | • Agriculture Research |
| • Efficient water conveyance and application through improved water courses, precision land leveling and drip and sprinkler irrigation | • Development of alternative/renewable farm energy sources | • Water Management |
| • Focus on horticulture, wheat, rice, cotton and maize by encouraging private sector research and congenial horticulture policies | | • P&E Cell |
| • Explore renewable and alternate energy sources in agriculture | | • Economics and Marketing |
| • Revamp infrastructure and capacity building of research and extension | | |

	<ul style="list-style-type: none"> • Develop value chain and enforce input/output certification mechanism 		
	<ul style="list-style-type: none"> • Minimize reliance on oil seed import by boosting local production 		
	<ul style="list-style-type: none"> • Efficient market infrastructure to ensure optimal value addition 		
	<ul style="list-style-type: none"> • Strengthen Research – Extension- Farmer linkage 		
12	Forestry, Wildlife & Fisheries		
	a. Forestry		
	<ul style="list-style-type: none"> • Development of forests through targeted investment and better forest resource management 	<ul style="list-style-type: none"> • Afforestation along important highways 	<ul style="list-style-type: none"> • Afforestation
	<ul style="list-style-type: none"> • Poverty alleviation through community based sericulture and social forestry 	<ul style="list-style-type: none"> • Afforestation in five irrigated plantations under agro-forestry 	<ul style="list-style-type: none"> • Linear Plantation
	<ul style="list-style-type: none"> • Environmental protection and avert degradation of natural resources 	<ul style="list-style-type: none"> • Planting of blank areas in Muzaffargarh and Murree 	<ul style="list-style-type: none"> • Soil Conservation
	<ul style="list-style-type: none"> • Involvement of farmers to increase forest cover under section 38 of Forest Act 	<ul style="list-style-type: none"> • Strengthening of forestry research and education 	<ul style="list-style-type: none"> • Bed Nurseries
	<ul style="list-style-type: none"> • Community based management of rangelands for sustainable fodder resources. 	<ul style="list-style-type: none"> • Establishment of Model Nurseries along Roadsides (Pilot Basis) 	<ul style="list-style-type: none"> • Potted Plants

	<ul style="list-style-type: none">Public-private partnership to enhance production of planting stock	<ul style="list-style-type: none">Aesthetic planting at Kasure-Ganda Singh Wala Road	
	<ul style="list-style-type: none">Strengthening of forestry research	<ul style="list-style-type: none">Institutional support to forest department for better in house planning, management and monitoring capacity	
	<ul style="list-style-type: none">Scientific Resource assessment scientifically		
b Wildlife			
	<ul style="list-style-type: none">Protection, preservation, conservation and management of natural habitat of diversified wildlife species endowed by nature	<ul style="list-style-type: none">Rehabilitation of Wildlife Parks for better management	<ul style="list-style-type: none">Improvement/ rehabilitation program for various wildlife parks
	<ul style="list-style-type: none">Promote wildlife-based tourism (Eco-tourism) through development of safaris and trophy hunting creating the best possible opportunities for	<ul style="list-style-type: none">Improvement / Rehabilitation/Construction of Zoo/ Wildlife Parks	<ul style="list-style-type: none">Establishment of breeding center of local wildlife at Jhang
	<ul style="list-style-type: none">Search for new wildlife potential areas development	<ul style="list-style-type: none">Institutional capacity building of wildlife department	<ul style="list-style-type: none">Master planning for development and improvement of Lahore Zoo
	<ul style="list-style-type: none">Ecologically-balanced wildlife policy		
	<ul style="list-style-type: none">Reintroduction of different indigenous wildlife species in their former/original range of occurrence/habitat by increasing breeding potential at Wildlife Breeding Centres to		

	produce wildlife surplus stock.		
	<ul style="list-style-type: none"> Public awareness through posters, brochures, hoarding and audio-visual system. 		
c. Fisheries			
	<ul style="list-style-type: none"> Increase in fish production through replenishment of fish resources in the natural water bodies. 	<ul style="list-style-type: none"> Capacity building of hatcheries network to meet expanded development needs 	<ul style="list-style-type: none"> Upgradation/construction of hatcheries
	<ul style="list-style-type: none"> Boost private sector fish farming through institutional and soft credit support 	<ul style="list-style-type: none"> Fish quality assurance and reduction of post harvest losses through provision of fish processing and cold storage facility at major fish production centres 	<ul style="list-style-type: none"> Construction of new laboratories, office facilities
	<ul style="list-style-type: none"> Aquaculture research and conservation programme focusing on disease control, nutrition, genetics, pollution control and protection of vulnerable species 	<ul style="list-style-type: none"> Renovation and Improvement of existing fish nurseries and hatcheries 	
		<ul style="list-style-type: none"> Establishment of new Fish Hatchery at R.Y. Khan 	
		<ul style="list-style-type: none"> Fish quality control to enforce regulatory regime. 	
13 Food			
	<ul style="list-style-type: none"> Food security for the citizens of the Punjab 	<ul style="list-style-type: none"> Provision of storage capacity through public-private partnership 	<ul style="list-style-type: none"> Construction of concrete silos 100,000ton capacity
	<ul style="list-style-type: none"> Ensuring the fair return to 		

	growers of the Punjab		
	<ul style="list-style-type: none"> Meeting the food stuff requirements of other provinces of Pakistan 		
14	Livestock		
	<ul style="list-style-type: none"> Food security through increased milk and meat production 	<ul style="list-style-type: none"> Production Enhancement 	<ul style="list-style-type: none"> Increase in production of livestock
	<ul style="list-style-type: none"> Poverty alleviation by supporting livestock subsistence farmers and women (organize, empower and provide hands-on training) 	<ul style="list-style-type: none"> Private Sector Development 	<ul style="list-style-type: none"> Better animal health services
	<ul style="list-style-type: none"> Productivity enhancement through improved genetics, balanced nutrition & improved husbandry 	<ul style="list-style-type: none"> Human Resource Development 	<ul style="list-style-type: none"> Private sector development
	<ul style="list-style-type: none"> Better functioning of markets and regulatory regime 	<ul style="list-style-type: none"> Breed Conservation 	<ul style="list-style-type: none"> Human Resource development
	<ul style="list-style-type: none"> Private enterprise development to optimally realize potential of livestock assets 	<ul style="list-style-type: none"> Disease Surveillance 	
	<ul style="list-style-type: none"> Applied research and technology 		
	<ul style="list-style-type: none"> Provision of quality products (dairy & meat) for domestic consumer & export markets. 		

15 Industries, Commerce and Investment			
	<ul style="list-style-type: none"> To create an enabling environment for the private sector to grow and prosper 	<ul style="list-style-type: none"> Establishing of Sports Goods and Material Testing Laboratories in Sialkot 	<ul style="list-style-type: none"> Punjab Small Industries Corporation (PSIC)
	<ul style="list-style-type: none"> The resulting economic activity will achieve the government's objectives of employment generation, increased income and poverty alleviation 	<ul style="list-style-type: none"> Registration of Geographical Indications (GI) 	<ul style="list-style-type: none"> Commerce and Investment
	<ul style="list-style-type: none"> Creating a better quality of life for the citizens of Punjab by: <ul style="list-style-type: none"> Encouraging private sector to invest in Punjab Generating growth in the economy to create employment Improving infrastructure necessary for economic uplift. 	<ul style="list-style-type: none"> Saving of heritage and development of Handicraft Complexes 	<ul style="list-style-type: none"> Consumer Protection Council (CPC)
	<ul style="list-style-type: none"> Up-grading technology to enhance profitability 	<ul style="list-style-type: none"> Construction of the premises of Consumer Court / Consumer Protection Council in Gujranwala 	<ul style="list-style-type: none"> Industrial City
	<ul style="list-style-type: none"> Establishment of laboratories for quality assurance and material testing facilities to make the products internationally acceptable 	<ul style="list-style-type: none"> Provision of missing facilities in Small Industrial Estates to enhance colonization 	<ul style="list-style-type: none"> Controller Printing and Stationary

	<ul style="list-style-type: none"> Establishing an influential network of accredited resources for the business community 	<ul style="list-style-type: none"> Product development and value addition of stone crafts at Taxila and rock salt products in Jhelum 	
	<ul style="list-style-type: none"> Strengthening domestic and international trade by facilitating private business 	<ul style="list-style-type: none"> Up-gradation of Printing Facilities of Government Printing Press at Lahore and Bahawalpur 	
	<ul style="list-style-type: none"> Provision of one roof facility to the manufacturers under cluster development programme 	<ul style="list-style-type: none"> Land acquisition for establishment of new industrial estate at Motorway 	
16	Mines & Minerals		
	<ul style="list-style-type: none"> To expand mining sector by focusing on discovery and exploration of new mineral resources; 	<ul style="list-style-type: none"> Implementation of National Mineral Policy – 1995; 	<ul style="list-style-type: none"> Mine and minerals development
	<ul style="list-style-type: none"> To enhance public sector investment for exploration/resource mapping and development of geological-database for minerals; 	<ul style="list-style-type: none"> Techno-economic feasibility study for mine development of Chiniot iron ore and its industrial utilization; 	
	<ul style="list-style-type: none"> To further strengthen Government's role as a facilitator to create enabling environment for the prospective investors in mines and minerals sector; 	<ul style="list-style-type: none"> Exploration and evaluation of coal deposits in Central Salt Range; 	
	<ul style="list-style-type: none"> To encourage and support exploitation of minerals, particularly through private sector; 	<ul style="list-style-type: none"> Evaluation of Silica Sand deposits from Chapri to Karandi in District Mainwali; 	

	<ul style="list-style-type: none"> To promote environment-friendly mining practices and to take measures for mitigation of environmental hazards of mining for sustainable development of mineral sector; 	<ul style="list-style-type: none"> Strengthening and up-gradation of Rescue and Safety Stations and Training Centers for mine workers;
	<ul style="list-style-type: none"> To develop schemes for welfare and safety of mine workers; 	<ul style="list-style-type: none"> Mine workers welfare schemes, provision of medical care facilities.
	<ul style="list-style-type: none"> Provide internationally competitive regulatory frame work- mining concession rules and restructuring of the institutional arrangements for administration in the light of practices followed in developed countries. 	<ul style="list-style-type: none"> Establishment of Mining Estate in Districts DG.Khan, Khushab, Chakwal and Mianwali
D Services Sectors		
17 Information Technology		
	<ul style="list-style-type: none"> To provide a reliable, scalable IT infrastructure for the Government of Punjab, including a centralized secure, reliable, scalable data centre, district-level connectivity and license-compliant software. 	<ul style="list-style-type: none"> Completion of state-of-the-art 17 storey software technology park
	<ul style="list-style-type: none"> Human Resource Development by providing training through Boot Camps and Remedial Programs, IT 	<ul style="list-style-type: none"> Incubator Centers for IT startup firms

	Teachers training, Global IT Certification, Open Source Training and Training to Government Employees for enhancing E-readiness	
	<ul style="list-style-type: none"> Formulation of Provincial ICT Policy and Action Plan for short, medium and long term 	<ul style="list-style-type: none"> Completion of replication of “Motor Transport Management Information System” and “Motor Vehicle Registration System” in all districts of Punjab
	<ul style="list-style-type: none"> Enhancing foreign and domestic investment in the IT sector 	<ul style="list-style-type: none"> Citizen Services and automation of internal processes in Health, Education, Agriculture, Livestock and Home Departments. Implementation of Citizen Feedback System. License Compliance and Open Source Software
	<ul style="list-style-type: none"> Making and Implementing policies for improved efficiency through automation of business processes and Business Process Re-Engineering (BPR) 	<ul style="list-style-type: none"> Integration of projects with centralized data center
		<ul style="list-style-type: none"> Computerization of Counter Terrorism Department (CTD)

			<ul style="list-style-type: none"> Implementation of Land Record Management Information System
18	Labour& HR Development	<ul style="list-style-type: none"> The development program envisages meeting challenges of the modern day labour force through improvement of working conditions and environment in labour institutions, capacity building and provision of state-of-the-art adequate facilities. Elimination of bonded labour in brick kilns and replacement of existing carpet looms with ergonomic looms for the empowerment of carpet weaving families for combating hazardous child labour are also being introduced. 	<ul style="list-style-type: none"> Provision of additional facilities and human resources at Centre for Improvement of Working Conditions & Environment (CIWC&E) / Industrial Relations Institute (IRI);
			<ul style="list-style-type: none"> Provision of additional facilities and HR at CIWCE/IRI
			<ul style="list-style-type: none"> Awareness of workers and employers of their rights and obligations under the Labour laws; and establishment of information system offactories and computerization of data.
			<ul style="list-style-type: none"> Elimination of bonded labor in brick kilns
		<ul style="list-style-type: none"> Combating Worst Forms of child Labour in 4 district of Punjab i.e.Attock, Jhang, Muzafargarh and Pakpattan. 	<ul style="list-style-type: none"> Awareness of workers and employers of their rights and obligations under the Labour laws;

		<ul style="list-style-type: none"> Up-gradation of Gadgets used for the Measurement of CNG Dispensers. 	<ul style="list-style-type: none"> Establishment of Labor Market Information and Resources Center
		<ul style="list-style-type: none"> Provision of checking kit of Weights & Measures and allied training facilities for the inspecting staff. 	<ul style="list-style-type: none"> Combating Worst Forms of child Labour in 4 district of Punjab
19	Transport		
		<ul style="list-style-type: none"> To provide accessible and time saving traveling 	<ul style="list-style-type: none"> Establishment of TransportPlanning Unit in TransportDepartment
		<ul style="list-style-type: none"> To develop environment friendly traffic system 	<ul style="list-style-type: none"> Lahore Transport MasterPlan(JICA assisted)
		<ul style="list-style-type: none"> To develop Rapid Mass Transit and integrated traffic management system 	<ul style="list-style-type: none"> Land acquisition for Establishment of Multi Modal Inter City Bus Terminal at FerozepurRoad, Lahore
		<ul style="list-style-type: none"> To control vehicle emission 	<ul style="list-style-type: none"> Block allocation for revival ofLRMTS project
			<ul style="list-style-type: none"> Block Allocation for Introductionof Yellow Cab Scheme in Cities ofPunjab
			<ul style="list-style-type: none"> Introduction of Yellow Cab
20	Emergency Service		
		<ul style="list-style-type: none"> Establishment of a system for emergency preparedness, response and prevention. 	<ul style="list-style-type: none"> Establishment of Emergency Services in various cities of Punjab
			<ul style="list-style-type: none"> Established modern pre-hospital emergency management infrastructure in all districts

	<ul style="list-style-type: none"> Development of a safer community through proactive approach towards emergency management, community awareness and training. 	<ul style="list-style-type: none"> Expansion of Rescue 1122 project, 	<ul style="list-style-type: none"> Strengthening of Emergency Service in Existing Cities
	<ul style="list-style-type: none"> To have positive socio-economic impact on the society by reducing disabilities and deaths due to injuries. 	<ul style="list-style-type: none"> Implementation of The Punjab Emergency Service Act, 2006 for the sustainability of Emergency Services Reforms 	<ul style="list-style-type: none"> Initiating Emergency Services at Tehsil level
21	Tourism		
	<ul style="list-style-type: none"> Provision of infrastructure for the promotion of tourism in the province; 	<ul style="list-style-type: none"> Creation of tourist facilities at the potential sites of Khewra and Nankana; 	<ul style="list-style-type: none"> Construction of Tourism Complexes
	<ul style="list-style-type: none"> Preservation and development of existing and potential tourist resorts in the province like Fort Munro, Khewra and Nankana Sahib; 	<ul style="list-style-type: none"> Renovation / Up-gradation of LalSohanra Resort Bahawalpur; 	<ul style="list-style-type: none"> Renovation / Up-gradation of tourist resorts
	<ul style="list-style-type: none"> Co-ordination with other departments / agencies like Forest and Wildlife for the promotion of tourism i.e. wildlife based tourism (eco-tourism); and eco-tourism); and 	<ul style="list-style-type: none"> Multifarious interventions for improvement of tourist facilities in Murree; 	<ul style="list-style-type: none"> Surveys and Studies to prepare master plan to develop Murree
	<ul style="list-style-type: none"> Create awareness among masses to promote domestic tourism. 	<ul style="list-style-type: none"> Master Plan to develop Murree as a pollution free tourist town. 	<ul style="list-style-type: none"> Revamping existing facilities and provision of missing facilities at Patriata Skyride Project

E Others			
22	Environment		
	<ul style="list-style-type: none"> Implement Pakistan Environmental Protection Act (PEPA 1997). 	<ul style="list-style-type: none"> Regulatory control on environmental pollution through capacity building of EPA Punjab. 	<ul style="list-style-type: none"> Regulatory Control on Environmental Degradation through Capacity Building of EPA, Punjab
	<ul style="list-style-type: none"> Promote environmental awareness among the masses. 	<ul style="list-style-type: none"> Promote environmental sustainability through capacity building of provincial departments in environmental management by training in various areas of environmental management including environmental impact assessment and life cycle assessment etc. 	<ul style="list-style-type: none"> Capacity Building of Provincial Departments in Environmental Management through Training in Conducting IEE, EIA, EA and LCA
	<ul style="list-style-type: none"> Implement National Environmental Quality Standards (NEQS) 	<ul style="list-style-type: none"> Grass root Initiatives through community based environmental improvement programme. 	<ul style="list-style-type: none"> Establishment of Environmental Resource Center
	<ul style="list-style-type: none"> Promote R&D in pollution prevention and environmental improvement. 	<ul style="list-style-type: none"> Introduction of environment friendly indigenous technologies for various small and medium enterprises in Punjab. 	<ul style="list-style-type: none"> Capacity Building of Stakeholders for Mitigating Climate Change Impacts and Earning Money from Carbon Funds.
	<ul style="list-style-type: none"> Monitoring of the quality of industrial effluents and municipal wastes. 	<ul style="list-style-type: none"> Motivation of research and educational institutions for development of indigenous pollution control technologies. 	<ul style="list-style-type: none"> Parks in Collaboration with City District Governments, District Governments and Business Communities
	<ul style="list-style-type: none"> Encourage sustainable development. 	<ul style="list-style-type: none"> Monitoring and characterization of surface water bodies in Punjab. 	<ul style="list-style-type: none"> Establishment of Environmental Information Center and Upgradation of EPA

- Provide information on environment friendly technologies.
- Propagation of environmental monitoring and surveillance program to Identify and quantify the state of pollution.
- Conducting campaigns against smoky and noisy vehicles.
- Review of IEE/ EIA and issue environmental approvals.
- Collaborate with NGOs/ CBOs for undertaking environment related projects.
- Coordinate with Federal Government and other Provinces on environmental issues / policies / laws.

23 Information, Culture & Youth Affairs

- Project and promote policies and priorities of the Government of the Punjab
- Preservation and restoration of heritages
- Preservation and restoration of Shalamar Garden, Lahore (Five Year Programme)
- Protect and conserve the cultural heritage of Punjab
- Establishment/renovation of museums, arts councils and other cultural institutions.
- Preservation and restoration of Lahore Fort (Five Year Programme)
- Promote language, art and culture of the Punjab
- Archaeological / cultural heritage in the Punjab
- Document and survey the archaeological and cultural heritage of
- Establishment of Chakwal Museum at KallarKahar

	Punjab		
	<ul style="list-style-type: none"> • Preservation and restoration of historical / heritage buildings and monuments • Expansion of existing network of Arts Councils and museums in Punjab 		<ul style="list-style-type: none"> • Establishment of museum and art gallery at Gujrat • Establishment of museum at Multan
	<ul style="list-style-type: none"> • Conservation and up-gradation of crafts 		<ul style="list-style-type: none"> • Re-construction of Murree Arts Council • Construction of auditorium in arts councils at Sargodha, Bahawalpur, D.G. Khan, Gujranwala, Multan and Okara.
			<ul style="list-style-type: none"> • Preservation / restoration of fort wall of Shujabad, PattanMinara.
			<ul style="list-style-type: none"> • Construction of Information & Cultural Complex at Rawalpindi.
			<ul style="list-style-type: none"> • Conservation and development of Katas Raj Complex.
24	Auqaf& Religious Affairs		
	<ul style="list-style-type: none"> • To provide improved standards of religious services and facilities at mosques, shrines and peaceful environment for devotees. Documents will be preserved and shrines in the neglected and far off areas will be restored. 	Promotion of religious services through construction/rehabilitation at religious places	<ul style="list-style-type: none"> • Construction of Quran Complex and Seerat Academy at Upper Mall (Shrine HazratMian Meer) Lahore;

	<ul style="list-style-type: none"> Religious harmony and promotion of unity amongst various sects of Islam has specially been focused. 		<ul style="list-style-type: none"> Re-Flooring of courtyard of Badshahi Mosque
	<ul style="list-style-type: none"> Preservation of historic documents and shrines 		<ul style="list-style-type: none"> Rehabilitation / up-gradation of public facilities for visitors/zaireen at Mosque HazratMadhooLalHussain
			<ul style="list-style-type: none"> Restoration of shrines at UchSharif .
			<ul style="list-style-type: none"> Rehabilitation/ up-gradation of public facilities for visitors / zaireen at Shrine HazratNausha Pak, Ranmal Sharif.
			<ul style="list-style-type: none"> Restoration works at Shrine HazratMian Mir.
			<ul style="list-style-type: none"> Development scheme/upgradation of public facilities for visitor/zaireen at Shrine HazaratMakhdoomRashed, Multan. and
25	Human Rights & Minority Affairs		
	<ul style="list-style-type: none"> Foster the equality, unity, peace and harmony among the masses with compassion and care for the oppressed men, women and children of Minorities. 	<ul style="list-style-type: none"> Provision of facilities for the better community living to the minorities through Minority Development Funds(MDF) 	<ul style="list-style-type: none"> Development Schemes of Minorities.

		<ul style="list-style-type: none"> • Provision of free education to minority students through educational scholarships 	<ul style="list-style-type: none"> • Awareness of Human Rights all over Punjab.
		<ul style="list-style-type: none"> • Raising awareness of human rights through the academia of all public sector universities in Punjab. 	<ul style="list-style-type: none"> • Educational Scholarship for Minority Students.
26	Planning & Development		
	<ul style="list-style-type: none"> • Governance reforms 	<ul style="list-style-type: none"> • Supporting policy and governance reforms through Punjab Government Efficiency Improvement Programme (PRMP- III) 	<ul style="list-style-type: none"> • PRMP
	<ul style="list-style-type: none"> • Extending social sector coverage 	<ul style="list-style-type: none"> • Supporting policy and governance reforms through Punjab Government Efficiency Improvement Programme (PRMP- III) 	<ul style="list-style-type: none"> • Urban Unit
	<ul style="list-style-type: none"> • Improved delivery of public services 	<ul style="list-style-type: none"> • Capacity Building of civil servants through Master Degree and PhDs programme from foreign universities 	<ul style="list-style-type: none"> • Walled City Lahore Project
	<ul style="list-style-type: none"> • Reducing poverty and inequality 	<ul style="list-style-type: none"> • Sustainable development of Walled City of Lahore. 	<ul style="list-style-type: none"> • MEPA/Bureau of Statistics
	<ul style="list-style-type: none"> • Enhancement of private sector participation through public private partnership 	<ul style="list-style-type: none"> • Capacity Development of P&DD for improved policy planning and monitoring of development process in Punjab 	<ul style="list-style-type: none"> • Admn. Wing P&D
	<ul style="list-style-type: none"> • Ensuring balanced urban, regional and gender development 	<ul style="list-style-type: none"> • Research and Development 	
	<ul style="list-style-type: none"> • Accelerated economic growth 	<ul style="list-style-type: none"> • Multiple Indicators Cluster Survey (MICS) Phase-III. 	

F Special Programme / Packages				
1	District / TMA Development Programme			
2	Special Infrastructure			
		<ul style="list-style-type: none"> Projects under this sector cater for major urban transportation and mass transit needs in the provincial metropolis. These projects, owing to their potential impact on economic growth, are placed as a separate sector under present MTFD. 		<ul style="list-style-type: none"> Lahore Ring Road
3	Special Packages			
				<ul style="list-style-type: none"> New Medical Colleges District Packages Power Generation
4	LOW INCOME HOUSING	<ul style="list-style-type: none"> Focus on Area Development Schemes (ADS)/ housing projects. 	<ul style="list-style-type: none"> Development of comprehensive criteria for selection of district/ city. 	<ul style="list-style-type: none"> Lang acquisition partial development
		<ul style="list-style-type: none"> Identify potential areas and projects based on Joint venture (JV), PPP and BOT modalities for housing sector infrastructure. 	<ul style="list-style-type: none"> Review of existing criteria for selection of sites/location and applicants. 	<ul style="list-style-type: none"> Infrastructure development
		<ul style="list-style-type: none"> Prepare land use, investment and asset management plans for systematic growth of 	<ul style="list-style-type: none"> Development of ADS and 3-marla housing schemes for low income groups. 	<ul style="list-style-type: none"> 3-Marla housing scheme

	urban areas and future investment in housing sector.	
	<ul style="list-style-type: none"> • Develop satellite, intermediate and Industrial towns as employment centers 	<ul style="list-style-type: none"> • Joint venture (JV), PPP and BOT mode projects identification.
		<ul style="list-style-type: none"> • Transfer of completed schemes to the TMAs